

GAZPROMBANK GROUP

Independent Accountants' Review Report

Interim Consolidated Financial Statements
Six Months Ended 30 June 2005

SHAREHOLDING OF THE BANK

	<u>% Ownership</u>
OAo "Gazprom"	87.49
OOO "Gazexport"	6.64
Other OAo "Gazprom" subsidiaries	3.49
Treasury stock	2.38
	<u>100.00</u>

COUNCIL OF THE BANK

Miller A.B.	Chairman of the Council, Chairman of OAo "Gazprom" Board
Ananenko A.G.	Deputy Chairman of OAo "Gazprom" Board
Akimov A.I.	Chairman of the Management Board, Deputy Chairman of the Council
Vasilieva E.A.	Chief Accountant of OAo "Gazprom"
Krasnenkov A.V.	Deputy CEO of OAo "Sovkomflot"
Kruglov A.V.	Member of OAo "Gazprom" Board
Medvedev A.I.	Deputy Chairman, CEO of OOO "Gazexport"
Pavlova O.P.	Head of OAo "Gazprom" Department of Asset Management and Corporate Relations
Sereda M.L.	Deputy Chairman of the Council, Member of OAo "Gazprom" Board

MANAGEMENT BOARD

Akimov A.I.	Chairman of the Board
Dadasheva O.U.	First Vice-President
Korytov V.B.	Deputy Chairman of the Board
Kravtsov A.N.	Executive Vice-President
Levin K.Y.	Deputy Chairman of the Board
Maluseva S.E.	Chief Accountant
Matveev A.A.	Deputy Chairman of the Board
Muranov A.U.	Deputy Chairman of the Board
Obozintsev A.A.	Deputy Chairman of the Board
Panfilov V.I.	Deputy Chairman of the Board
Sobol A.I.	Deputy Chairman of the Board
Utkin P.V.	Deputy Chairman of the Board

AUDITORS**ZAO Deloitte & Touche CIS**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Shareholders and Board of Directors of the Joint-stock Bank of the Gaz Industry
Gazprombank (Closed Joint-stock Company):

We have reviewed the accompanying interim consolidated balance sheet of the Joint-stock Bank of the Gaz Industry Gazprombank (Closed Joint-stock Company) and its subsidiaries and associates (the "Group") as at 30 June 2005 and the related interim consolidated profit and loss account, and interim consolidated statements of cash flows and shareholders' funds for the six months then ended. These interim consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these interim consolidated financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400 applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements are not presented fairly in all material respects in accordance with International Financial Reporting Standards.



24 October 2005
Moscow

**Interim consolidated profit and loss accounts
for the six and three months ended 30 June 2005 and 2004
(thousands of U.S. Dollars,
except for earnings per share amount which is in U.S. Dollars)**

	Notes	6 months ended 30 June		3 months ended 30 June	
		2005	2004 (restated)	2005	2004 (restated)
Interest income		300,529	167,288	160,335	84,021
Interest expense		(212,677)	(139,429)	(115,883)	(65,966)
Net interest income	4	87,852	27,859	44,452	18,055
Provision for losses	5	(17,900)	(28,499)	(20,787)	(12,860)
Net interest income/(expense) after provision for losses		69,952	(640)	23,665	5,195
Dealing profits/(losses) unrealized, net	6	31,655	263,926	6,659	(37,124)
Dealing profits/(losses) realized, net	6	48,388	28,683	40,331	(2,203)
Fees and commissions income	7	61,670	47,162	29,372	22,666
Profit/(loss) from available-for-sale investments, net	14	1,776	2,494	(1,966)	2,494
Profit/(loss) from foreign exchange, net		29,075	39,905	14,980	(14,786)
Dividend income		25,801	1,314	23,479	587
Other operating income		4,813	3,229	1,112	2,899
Non interest income/(expense)		203,178	386,713	113,967	(25,467)
Salaries and employment benefits	8	(132,883)	(69,287)	(84,101)	(37,429)
Administrative expenses	8	(45,133)	(30,232)	(25,138)	(16,151)
Fees and commissions expense	7	(9,285)	(10,717)	(5,087)	(3,479)
Depreciation and amortization	16	(9,912)	(9,062)	(5,988)	(5,877)
Recovery of/(other provisions)	5	3,718	2,248	2,913	(703)
Non interest expense		(193,495)	(117,050)	(117,401)	(63,639)
Profit/(loss) from operations		79,635	269,023	20,231	(83,911)
Income from associate		-	13,086	-	7,819
Profit/(loss) before tax		79,635	282,109	20,231	(76,092)
Profit tax benefit/(expense)	9	16,917	(75,563)	26,467	(19,594)
Net profit/(loss)		96,552	206,546	46,698	(95,686)
Basic earnings/(losses) per share	23	7.4	15.8	3.6	(7.3)

Signed on behalf of the Management Board:

Andrey I. Akimov
Chairman of the Board

24 October 2005

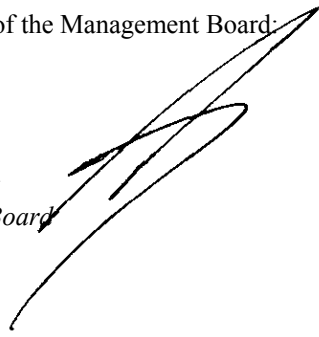
Alexander I. Sobol
Deputy Chairman of the Board

*The accompanying notes are an integral part of these interim consolidated financial statements.
The Independent accountants' review report is on page 2.*

Consolidated balance sheets
as of 30 June 2005 and 31 December 2004
(thousands of U.S. Dollars)

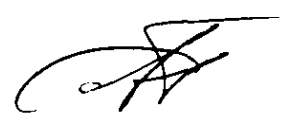
	Notes	30 June 2005	31 December 2004 (restated)
Assets			
Cash and due from the Central Bank of the Russian Federation	10	453,926	1,243,058
Due from credit institutions, net	11	3,305,111	1,235,782
Securities at fair value through profit or loss	12	1,316,373	1,681,630
Loans to customers, net	13	5,771,277	5,044,087
Available-for-sale investments, net	14	1,180,027	1,115,438
Asset held for sale	15	77,424	80,000
Property, equipment and intangibles, net	16	67,173	67,694
Other assets, net	17	168,539	131,313
Total assets		12,339,850	10,599,002
Liabilities			
Amounts owed to credit institutions	18	1,551,074	1,320,764
Amounts owed to customers	19	6,324,533	5,008,193
Certificated debts	20	1,551,695	1,353,708
Eurobonds issued	20	1,248,771	1,263,342
Profit tax liabilities	9	41,282	140,840
Other liabilities	21	275,727	155,948
Total liabilities		10,993,082	9,242,795
Shareholders' funds			
Share capital	22	907,057	907,057
Treasury stock	22	(10,632)	(10,632)
Foreign currency translation reserve		(28,713)	131
Fair value reserve	2 (c)	1,026	8,940
Retained earnings	23	478,030	450,711
Total shareholders' funds		1,346,768	1,356,207
Total liabilities and shareholders' funds		12,339,850	10,599,002
Financial commitments and contingencies	28	1,626,519	1,368,583

Signed on behalf of the Management Board:



Andrey I. Akimov
Chairman of the Board

24 October 2005



Alexander I. Sobol
Deputy Chairman of the Board

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**Interim consolidated statements of shareholders' funds
for the six months ended 30 June 2005 and 2004
(thousands of U.S. Dollars)**

	Share capital	Treasury stock	Foreign currency translation reserve	Fair value reserve	Retained earnings	Shareholder s' funds
31 December 2003 (as previously reported)	907,057	(10,118)	3,633	-	106,907	1,007,479
Fair value adjustment of available-for-sale investments – adoption of amended IAS 39 (Note 2 (c))	-	-	-	(1,139)	1,139	-
31 December 2003 (as restated)	907,057	(10,118)	3,633	(1,139)	108,046	1,007,479
Net profit as previously reported	-	-	-	-	192,383	192,383
Fair value adjustment of available-for-sale investments – adoption of amended IAS 39 (Note 2 (c))	-	-	-	(14,163)	14,163	-
Foreign exchange difference from translation of foreign associate	-	-	(274)	-	-	(274)
Dividends declared	-	-	-	-	(50,512)	(50,512)
30 June 2004	907,057	(10,118)	3,359	(15,302)	264,080	1,149,076
31 December 2004 (as previously reported)	907,057	(10,632)	131	-	459,651	1,356,207
Fair value adjustment of available-for-sale investments – adoption of amended IAS 39 (Note 2 (c))	-	-	-	8,940	(8,940)	-
31 December 2004 (as restated)	907,057	(10,632)	131	8,940	450,711	1,356,207
Net profit	-	-	-	-	96,552	96,552
Fair value adjustment of available-for-sale investments	-	-	-	(9,513)	-	(9,513)
Disposal of available-for-sale investment	-	-	-	1,887	-	1,887
Dividends declared	-	-	-	-	(54,964)	(54,964)
Foreign exchange difference from translation to presentation currency (Note 2 (b))	-	-	(28,844)	(288)	(14,269)	(43,401)
30 June 2005	907,057	(10,632)	(28,713)	1,026	478,030	1,346,768

The foreign currency translation reserve as of 30 June 2005 has been shown net of deferred tax liability of USD 15 thousand (31 December 2004 – net of deferred tax liability of USD 41 thousand, 30 June 2004 – USD 1,061 thousand).

Fair value reserve on available-for-sale investments as of 30 June 2005 has been shown net of deferred tax liability of USD 324 thousand (31 December 2004 – net of deferred tax liability of USD 2,823 thousand, 30 June 2004 – net of deferred tax asset of USD 4,832 thousand).

Signed on behalf of the Management Board

Andrey I. Akimov
Chairman of the Board

24 October 2005

Alexander I. Sobol
Deputy Chairman of the Board

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Interim consolidated cash flow statements
For the six months ended 30 June 2005 and 2004
(thousands of U.S. Dollars)

	Notes	6 months ended 30 June 2005	6 months ended 30 June 2004
Cash flows from operating activities			
Interest received		299,235	170,006
Fees and commissions received		54,334	47,162
Interest paid		(179,336)	(113,265)
Fees and commissions paid		(8,865)	(9,540)
Dealing profits		47,214	41,277
Profit from available-for-sale investments		1,733	2,494
Foreign exchange gains		11,638	(12,807)
Other operating income		4,696	3,229
Salaries and employment benefits		(95,957)	(67,469)
Administrative expenses		(44,038)	(30,232)
<i>Cash flows from operating profits before changes in operating assets and liabilities</i>		<u>90,654</u>	<u>30,855</u>
(Increase) decrease in operating assets			
Obligatory reserve with the Central Bank of the Russian Federation		(39,198)	27,708
Due from credit institutions		(235,580)	(69,794)
Securities at fair value through profit or loss		486,104	652,020
Loans to customers		(901,078)	(260,273)
Other assets		(31,657)	(60,108)
Increase (decrease) in operating liabilities			
Amounts owed to credit institutions		(125,693)	313,345
Amounts owed to customers		1,481,508	1,063,892
Other liabilities		(20,131)	6,291
<i>Net cash flows from operating activities before profit taxes</i>		<u>704,929</u>	<u>1,703,936</u>
Profit taxes paid		(96,724)	(28,501)
<i>Net cash flows from operating activities</i>		<u>608,205</u>	<u>1,675,435</u>
Cash flows from investing activities			
Available-for-sale investments purchased		(168,683)	(712,574)
Available-for-sale investments sold		61,585	8,167
Property, equipment and intangibles purchased		(12,264)	(15,386)
Property, equipment and intangibles sold		1,331	-
Dividends received – affiliated undertakings		5,673	1,314
<i>Net cash flows from investing activities</i>		<u>(112,358)</u>	<u>(718,479)</u>
Cash flows from financing activities			
Certificated debts		245,088	(338,160)
Eurobonds issued		-	300,000
Syndicated loans		404,976	-
Subordinated deposits		(24,098)	(12,312)
<i>Net cash flows from financing activities</i>		<u>625,966</u>	<u>(50,472)</u>
Effect of change in exchange rates on cash and cash equivalents			
		<u>(30,441)</u>	<u>65,606</u>
Foreign exchange difference from translation to presentation currency	2(b)	(57,928)	-
Change in cash and cash equivalents		1,033,445	972,090
Cash and cash equivalents, beginning of the period		<u>1,798,752</u>	<u>1,171,618</u>
Cash and cash equivalents, end of the period	25	<u><u>2,832,196</u></u>	<u><u>2,143,708</u></u>

Signed on behalf of the Management Board:

Andrey I. Akimov
Chairman of the Board
24 October 2005

Alexander I. Sobol
Deputy Chairman of the Board

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**Notes to interim consolidated financial statements
For the six months ended 30 June 2005 and 2004
(thousands of U.S. Dollars, unless otherwise stated)**

NOTE 1 – PRINCIPAL ACTIVITIES AND ORGANIZATION***a) Activities and organization***

The Gazprombank Group (the “Group”) primarily consists of the parent company, Joint-stock Bank of the Gaz Industry Gazprombank (Closed Joint-stock Company) (the “Bank”), and its wholly owned subsidiaries Novfintech, Gazcardservice, GazInvest Finance B.V. and other companies. The Group also has a number of subsidiaries and associates, which are neither consolidated nor accounted for under the equity method for the reasons described in Note 14.

The parent company of the Group – Gazprombank was established as a limited liability partnership in 1990. In November 2001 the Bank changed its legal form to a closed joint-stock company. The Bank possesses a general banking license and a license for operations with precious metals from the Central Bank of the Russian Federation (the “CBR”), and licenses for securities operations and custody services from the Federal Stock Market Commission.

The Bank is one of the largest banks in the Russian Federation in terms of assets and equity, providing a broad array of predominantly commercial banking services to many of Russia’s leading corporations and government entities including, in particular, OAO “Gazprom” and the OAO “Gazprom” Group. The Bank’s principal activities comprise commercial lending, project finance, trade finance, deposit taking, foreign exchange and securities trading, precious metals operations, settlement services for interregional payments for gas supplies, card services, depositary and custodian services, fund management services, Internet-powered brokerage and trading services. As the fifth largest retail bank in the Russian Federation (source: Interfax Information Agency), the Bank also provides a range of retail services, principally to the employees of its’ corporate clients. The Bank’s legal address is: Nametkina Str., 16, Bld.1, Moscow, 117420, Russian Federation.

The Group had an average of 5,020 employees during the six months ending 30 June 2005 and 5,163 employees at the end of the period (31 December 2004 – 4,857 employees at the end of the year and an average of 4,106 employees for the six months ending 30 June 2004).

These interim consolidated financial statements were authorized for issue by the Management Board of the Group on 24 October 2005.

b) Economic dependence

As of 30 June 2005, OAO “Gazprom” owned directly or through its subsidiaries 100% of the outstanding shares of the Group. A substantial portion of the Group’s funding is from, and credit exposures are to the OAO “Gazprom” Group. As such the Group is economically dependent on the OAO “Gazprom” Group. Some of the Group’s transactions are closely linked with the requirements of the OAO “Gazprom” Group and determination of pricing of transactions with the OAO “Gazprom” Group is undertaken in conjunction with other OAO “Gazprom” Group companies. See also Note 27.

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NOTE 2 – BASIS OF PRESENTATION***a) General***

The interim consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (IASB). The interim consolidated financial statements are presented in thousands of U.S. Dollars.

The Bank, Gazcardservice, Novfintech and other subsidiaries domiciled in the Russian Federation maintain their books of account and prepare statements for regulatory purposes in accordance with Russian accounting and banking legislation and instructions (RAL). GazInvest Finance B.V. maintains its accounting records in accordance with legislation of the Netherlands. Other foreign subsidiaries prepare their financial statements in accordance with International Financial Reporting Standards (IFRS). GazInvest Finance B.V. and other foreign subsidiaries are considered to be foreign operations that are integral to the operations of the Bank. The accompanying consolidated financial statements are based on the statutory records, which are maintained under the historical cost convention. At each reporting date all Group members make appropriate adjustments and reclassifications to their unconsolidated statutory financial statements for the purpose of fair presentation in accordance with IFRS. The accompanying interim consolidated financial statements have been prepared based on those financial statements.

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group as of the reporting date, the results of its operations, cash flows and changes in equity for the reported periods, in accordance with IFRS.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Group has applied all of the amended IASs or newly issued IFRSs starting from the 1 January 2005 as prescribed by the IASB except for the following Standards which were applied earlier in 2004: IFRS 3 “*Business Combinations*” (applied from 1 April 2004), IAS 28 “*Investments in Associates*” (as revised in 2004) and IFRS 5 “*Non-current Assets Held for Sale and Discontinued Operations*” (applied from 1 July 2004).

b) Functional and presentation currency

Following the adoption of revised IAS 21 “*The Effects of Changes in Foreign Exchange Rates*” from 1 January 2005 the Group has re-assessed the underlying events and circumstances that define functional (measurement) currency of the Group’s financial statements. As a result Management decided that starting from 1 January 2005 the functional currency of the Group’s financial statements should be the Russian Ruble. Prior to 2005 the Group’s functional currency was the U.S. Dollar.

Following the requirements of revised IAS 21 the effect of the change in the functional currency is accounted for prospectively starting from the date of the change. All of the Group’s opening balances as of 1 January 2005 were translated into the new functional currency – Russian Ruble – using the prevailing Ruble/ Dollar exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost.

However, it was decided to continue the use of U.S. Dollar as the presentation currency of the Groups’ consolidated financial statements prepared in accordance with IFRS for the convenience of users of these financial statements. See Note 3 (b) for details of currency translation techniques.

c) Adoption of amended IAS 39

According to amended IAS 39 “*Financial Instruments: Recognition and Measurement*” (applied for annual periods beginning on or after 1 January 2005) unrealized gains or losses on available-for-sale investments are recognized directly in equity except for impairment losses and foreign exchange gains and losses. Furthermore this Standard is applied retrospectively. Therefore the opening balances of shareholder’s funds as of 31 December 2003, the profit and loss account for the six months ended 30 June 2005 and all the respective comparative information presented in these financial statements were restated by the Group as if this Standard had always been in use. The effect of adoption of amended IAS 39 is disclosed in the statement of shareholder’s funds.

d) Reconciliation of equity and profit between Statutory Accounting Legislation and IFRS

Shareholders’ funds as of 30 June 2005 and 31 December 2004 and net profit for the six months ended 30 June 2005 and 2004 then ended are reconciled between Statutory Accounting Legislation and IFRS as follows:

	30 June 2005	6 months ended 30 June 2005	31 December 2004	6 months ended 30 June 2004 (restated)
	Equity	Profit	Equity	Profit
Statutory Accounting Legislation	1,352,649	128,341	1,374,354	182,981
Effect of accrued interest, net	(142,228)	(96,879)	(53,670)	(199,708)
Fair value adjustments	40,219	4,694	(6,480)	115,234
Fair value adjustments recorded directly in equity	(7,075)	(19,837)	13,867	-
Loss provisions	65,219	7,536	58,102	111,908
Asset held for sale	60,213	-	76,527	13,086
Translation gains	16,827	4,117	10,525	15,491
Deferred taxation	(15,432)	81,006	(83,604)	(21,400)
Expenses recorded to funds	-	(1,987)	-	(3,964)
Treasury stock	(10,632)	-	(10,632)	-
Depreciation	(27,320)	(6,162)	(21,158)	(6,117)
Foreign exchange difference from translation to presentation currency (Note 3 (b))	(2,507)	(14,881)	-	-
Other	16,835	10,604	(1,624)	(965)
International Financial Reporting Standards	1,346,768	96,552	1,356,207	206,546

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NOTE 3 – PRINCIPAL ACCOUNTING POLICIES***a) Principles of consolidation and accounting for associates***

The consolidated financial statements of the Group include the Bank and the companies that it controls (subsidiaries). This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The purchase method of accounting is used for acquired businesses unless they are classified as assets held for sale. Companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

Intercompany balances and transactions, including intercompany profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Investments in associated companies (generally investments of between 20% to 50% in a company's equity) where the Group exercises a significant influence are accounted for by using the equity method unless they are classified as assets held for sale. When the investee incurs losses the Group recognizes its share of losses until the carrying amount of the investment is reduced to nil. Recognition of further losses is discontinued.

b) Foreign currency translation

Income and expenses, and non-monetary items included in the balance sheet at period end, denominated in currencies other than the functional currency (the Russian Ruble – see Note 2(b)), are recorded by applying the exchange rate prevailing on the date of the transaction. Non-Ruble denominated monetary items included in the period end balance sheet are translated at the exchange rate prevailing at the period end.

Exchange differences resulting from translation of balance sheet and profit and loss items, denominated in currencies other than the functional currency (unrealized profits and losses), as well as income or loss from foreign exchange dealing (realized profits and losses) are recognized in the consolidated profit and loss account as profit or loss from foreign exchange. Net profits from foreign exchange dealing include both the currency spread realized in the transaction and the built-in foreign exchange trading commission.

If foreign subsidiaries or foreign associates, whose operations are not considered integral to the operations of the Group, have functional currencies that are different from the functional currency of the Group (the Russian Ruble), the resulting exchange differences arising from translation to Rubles of their financial statements (in the case of a subsidiary) or of their net assets (in the case of an associate) are included directly in equity in the Foreign currency translation reserve.

The Group's results and financial position are translated into the presentation currency (U.S. Dollar - see Note 2(b)) using the following procedures: assets and liabilities are translated at the closing rate at the date of the balance sheet; income and expenses for each income statement are translated at exchange rates prevailing on the date of the transactions; all resulting exchange differences are recognized in Foreign currency translation reserve in the Group's equity.

The U.S. Dollar/Ruble exchange rate in the Russian Federation ranged from 27.75 Rubles per U.S. Dollar at 31 December 2004 to 28.67 Rubles per U.S. Dollar at 30 June 2005. The Russian Ruble is not freely convertible in the majority of countries outside of the Russian Federation; furthermore, certain limitations for currency exchange and currency control procedures exist in the Russian Federation.

c) Income and expense recognition

Interest income and expense are recognized on an accrual basis calculated using the effective interest rate method. Interest income includes also interest income earned on debt securities at fair value through profit or loss. Revenue on equity investments is recognized only to the extent of dividends received. Commissions and other income are credited to income when the related transactions are completed as the Bank's operations are mostly of short-term nature; otherwise they are capitalized and amortized over the life of the related assets. Non-interest expenses are recognized at the time the transaction occurs.

Materials and supplies are expensed in full to the consolidated profit and loss account on purchase date.

d) Recognition and derecognition of financial instruments

The Group recognizes financial assets at fair value through profit or loss and available-for-sale assets on the date it commits to purchase the assets (trade date). Held-to-maturity instruments and originated loans and receivables are recognized on the day they are transferred to or originated by the Group (settlement date).

A financial asset is derecognized when the Group loses control over contractual rights that comprise that asset. This occurs when the rights are realized, expire or are surrendered. A financial liability is derecognized when it is extinguished – that is, when the obligation specified in the contract is discharged, cancelled, or expires.

Available-for-sale assets and assets at fair value through profit or loss that are sold are derecognized and corresponding receivables from the buyer for the payment are recognized as of the date the Group non-recourse commits to sell the asset (trade date). Held-to-maturity instruments and originated loans and receivables are derecognized on the day they are transferred by the Group or repaid (settlement date).

e) Segment reporting

The Group's operations are highly integrated and primarily constitute a single industry segment, banking. Accordingly for the purposes of IAS 14 "*Segment Reporting*" the Group is treated as one business segment. The regional breakdown of the Group's assets and liabilities is presented in Note 26. The majority of the Group's revenues and net profit is derived from operations in, and connected with, the Russian Federation.

f) Due from credit institutions

In the normal course of business, the Group lends or deposits funds for various periods with other credit institutions. Such amounts are categorized as loans originated by the Group and are carried at amortized cost. As these placements of funds are typically unsecured extensions of credit, some of the assets may be impaired. The principles used to create allowance for loan impairment on amounts due from credit institutions are the same as for loans to customers (see below).

g) Securities at fair value through profit or loss account and available-for-sale investments

The Group classified its investments in securities into the following two categories:

- Securities which were either acquired for the purpose of selling them in the near term, or included in a portfolio in which a pattern of short-term profit-taking exists are classified as securities at fair value through profit or loss account;
- Securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale investments.

The classification of investments in securities is determined by management at the time of the purchase.

All securities are initially recognized at cost (including transaction costs), which is the fair value of the consideration given for them. Subsequently securities at fair value through profit or loss account and available-for-sale securities are measured as follows:

- Securities at fair value through profit or loss account are subsequently measured at fair value based on quoted bid prices. All related realized and unrealized gains and losses are included in dealing gains in the consolidated profit and loss account;
- Available-for-sale investments are subsequently measured at fair value based on quoted bid prices or present value of future cash flows. Unrealized gains and losses arising from changes in the fair value are recognized directly in equity, except for impairment losses and foreign exchange gains and losses. Realized gains and losses arising from the sale of available-for-sale investments are recognized as profit or loss from available-for-sale investments in the consolidated profit and loss account. If fair value of available-for-sale investments is not determinable they are accounted for at cost or amortized cost less allowances for impairment.

Interest earned while holding trading securities and available-for-sale investments is reported as interest income. Dividends receivable are included in dividend income when a dividend is declared.

All purchases and sales of securities classified as held for trading or available-for-sale assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recognized at trade date, which is the date that the Group commits to purchase or sell the asset. Otherwise such transactions are treated as derivatives until settlement occurs (see below).

h) Promissory notes

In the normal course of business the Group acquires promissory notes of third parties. These notes generally have short-term to medium-term maturity. Promissory notes are categorized as securities at fair value through profit or loss or amount due from credit institutions or loans to customers depending on their economic substance. Promissory notes are measured by the Group according to the appropriate accounting policies for the respective assets.

i) Repurchase and reverse repurchase agreements

The Group, as an element of its treasury management and trading business, utilizes repurchase and reverse repurchase agreements. Repurchase agreements (“repos”) are accounted for as financing transactions. As such, the related securities are recorded in the Group’s accounts and the related payable is included as an amount due to credit institutions or customers, respectively. Any related expense arising from the pricing spreads for the underlying securities is recognized as interest expense and accrued over the period that the related transactions are open using the effective yield method. Securities lent to counterparties are also included in the financial statements.

Reverse repurchase agreements (“reverse repos”) are accounted for as due from credit institutions or loans to customers, respectively. Any related income arising from the pricing spreads for the underlying securities is recognized as interest income over the period that the related transactions are open using the effective yield method. Securities borrowed are not recognized in the financial statements.

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j) Derivatives

The Group enters into derivative financial instruments for trading purposes. Derivatives are initially recognized at cost (including transaction costs), which approximates the fair value of the consideration given for them, and subsequently are measured at their fair value. Fair values are obtained from quoted market prices (if available) or are estimated using appropriate valuation models and available market prices. Since at present there is a very limited market for derivatives in the Russian Federation, the fair value of the foreign currency derivative position is calculated based on the exchange rate effective as of the reporting date.

The realized dealing profits from derivatives and unrealized changes in the fair value of derivative contracts are included in the profit and loss account in the appropriate caption according to the nature of the underlying asset, i.e. as profit or loss from foreign exchange (in the case of FX or bullion derivatives) or as dealing profit or loss from securities (in the case of derivatives with securities).

k) Loans to customers

Loans granted by the Group by providing money directly to the borrower are categorized as loans originated by the Group. They are initially recognized at cost which is the fair value of the consideration given and are subsequently measured at amortized cost. Expenses incurred in securing a loan, such as legal fees, are treated as part of the cost of the transaction, which is added to a loan amount and amortized over the loan life. All loans and advances are recognized when cash is advanced to borrowers.

Also, the Group acquires customers' loans from other financial institutions and normally holds these loans to their original maturity or sells them in the normal course of business. Such loans are considered to be purchased loans. They are initially recognized at cost which is the fair value of the consideration given and are subsequently measured at fair value.

A credit risk allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at inception.

The loan loss allowance also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to borrowers and reflecting the current economic conditions in which the borrowers operate. When a loan is uncollectable, it is written off against the related allowance for impairment. Subsequent recoveries are credited to the provision for loan losses in the consolidated profit and loss account.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the allowance is credited to the provision for loan losses in the profit and loss account.

Loans are placed on "non-performing" (non-accrual) status if either the loan has been in default as to payment of principal or interest for 90 days or more and the loan is neither well secured nor in the process of collection; or the loan is not yet 90 days past due, but in the judgment of management the accrual of interest should be ceased before 90 days because it is probable that all contractual payments of interest and principal will not be collected. When a loan is placed on non-performing status, any accrued but unpaid interest previously recorded is reversed against current period interest revenues. Cash receipts of interest on non-performing loans are recorded as either interest revenues or a reduction of principal according to management's judgment as to the collectability of principal. Accrual of interest is resumed only once the loan is current as to all contractual payments due and the loan is not impaired. Loans are considered "contractually overdue" when a borrower fails to make a scheduled payment of principal or interest for more than five days from the date stated in the loan agreement.

l) Assets held for sale

A non-current asset is classified as held for sale if it is highly probable that the asset's carrying amount will be recovered through a sale transaction rather than through continuing use. Such sale transaction shall be principally completed within one year from the date of classification of an asset as held for sale.

Assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell. If the fair value less costs to sell of an asset held for sale is lower than its carrying amount, an impairment loss is recognized in the profit and loss account as loss from assets held for sale. Any subsequent increase in an asset's fair value less costs to sell is recognized to the extent of the cumulative impairment loss that was previously recognized in relation to that specific asset.

m) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

n) Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies, as described in accounting policies for the financial instruments that are carried at fair value as prescribed by IAS 39 "*Financial instruments: recognition and measurement*". However, judgment is necessarily required to interpret market data to determine the estimated fair value. As described in more detail in Note 28(g), the Russian Federation exhibits signs of an emerging market and has a relatively small volume of activity in its financial markets. While management has used available market information in estimating the fair value of financial instruments, the market information may not be fully indicative of the value that could be realized in the current circumstances.

According to IAS 32 "*Financial instruments: disclosure and presentation*" the Group is required to disclose estimates of fair value of financial instruments even if they are carried at amortized cost as prescribed by IAS 39. Such instruments include: loans and advances to banks and customers originated by the Group, time deposits and certificated debt and are not currently traded in the Russian financial markets. As a result, an objective estimate of the fair value of such instruments may be not possible. Management estimates their fair value by applying valuation techniques, which are based on discounting future projected cash flows of such instruments using current market rates for respective financial instruments. Also, the fair value of assets and liabilities maturing within one year are deemed to approximate their amortized cost. The estimated fair values of financial instruments carried at amortized cost are disclosed in the respective notes of these financial statements.

o) Property, equipment and intangibles

Property, equipment and intangibles are recorded at historical cost, less accumulated depreciation (amortization) and any accumulated impairment losses. Depreciation (amortization) is provided to write off the cost on a straight-line basis over the estimated useful economic life of the asset. The economic lives are as follows:

	Years
Buildings	50-100
Office equipment	3-14
Leasehold improvements	Over expected life of the lease
Software	3-10

Assets under construction are not depreciated. Depreciation of these assets will begin when the related assets are placed in service.

Repairs and maintenance are charged to the consolidated profit and loss account on the date the services are provided.

p) Bullion in vault

The Group enters into operations with bullion for trading purposes. Bullion in vault is measured at fair value based on the USD/gram of precious metals quotations of the London Bullion Market Association fixing rates.

q) Inventories

The Group regards non-financial assets (property) that are held for sale in the ordinary course of business as inventories. Inventories are measured at the lower of cost and net realizable value. The cost of inventories held by the Group comprises all costs of purchase including purchase price, duties and other taxes, transportation and other costs directly attributable to acquisition. The Group recognizes the amount of any write-down of inventories to net realizable value and all losses of inventories as an expense in the period the write-down or loss occurs.

r) Operating leases

The Group enters into operating lease agreements as a lessee. The total payments made under operating leases are charged to the consolidated profit and loss account on a straight-line basis over the period of the lease.

s) Fiduciary activities

The Group provides trustee services to its customers. Also the Group provides depository services to its customers, which include transactions with securities on their “depo” accounts. Assets and liabilities incurred under the trustee and depository activities are not included in the Group’s financial statements. The Group accepts the operational risk on these activities, and the Group’s customers bear the credit and market risks associated with such operations.

t) Amounts owed to credit institutions and to customers

Amounts owed to credit institutions and to customers are initially recognized at cost, which amount to the initiation/issue proceeds, less transaction costs incurred. Subsequently amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated profit and loss account over the period of the borrowings using the effective yield method. If the Group purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of a liability and the consideration paid is included in net interest income.

u) Certificated debts and Eurobonds issued

Certificated debts represent promissory notes, certificates of deposit and bonds issued by the Group to domestic customers. Eurobonds represent internationally traded Euro Medium Term Notes and Loan Participation Notes issued by the Group. They are accounted for according to the same principles used for amounts owed to credit institutions and to customers.

v) Dividends and treasury stock

Dividends on ordinary shares are recognized in equity in the period in which they are declared. Dividends for the year, which are declared after the balance sheet date, are treated as a subsequent event under IAS 10 “Events after the balance sheet date”.

Where the Bank or its subsidiaries purchase the Bank's share capital or obtain rights to purchase its share capital, the consideration paid is shown as a deduction from total shareholders' funds. Gains and losses on sales of own shares are charged or credited to the treasury stock account in shareholders' funds.

w) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

x) Taxation

The taxation charge is calculated in accordance with the regulations of the Russian Federation and other jurisdictions in which the Bank has offices and branches or where its subsidiaries are located and is based on the results reported in the profit and loss accounts of the Bank and its subsidiaries prepared under statutory tax legislation. Deferred taxes are provided on temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

The Russian Federation also has various other taxes, which are assessed on the Group's activities. These taxes are included as a component of administrative expenses in the consolidated profit and loss account.

y) Cash and cash equivalents

The Group considers cash, current account with the Central Bank of the Russian Federation and amounts due from credit institutions with maturity of three months or less when originated to be cash equivalents.

z) Reclassifications and restatements

Certain reclassifications have been made to the consolidated balance sheet as of 31 December 2004 and profit and loss for the six months ended 30 June 2004 to conform to the presentation as of 30 June 2005 and for the six months then ended. The opening balances of shareholders' funds as of 31 December 2003 and 2004 were also restated due to the adoption of amended IAS 39 "Financial Instruments: Recognition and measurement". See Note 2 (c) for details.

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NOTE 4 – NET INTEREST INCOME

Net interest income for the six and three months ended 30 June 2005 and 2004 comprises:

	6 months ended 30 June		3 months ended 30 June	
	2005	2004	2005	2004
Interest income				
Loans to customers:				
- Loans to legal entities	228,705	122,999	118,489	62,493
- Loans to individuals	13,557	6,390	7,347	3,504
Due from credit institutions	37,781	20,610	22,291	14,565
Debt securities	20,486	17,289	12,208	3,459
	300,529	167,288	160,335	84,021
Interest expense				
Amounts owed to customers:				
- Amounts owed to legal entities	43,102	25,102	23,161	14,696
- Amounts owed to individuals	32,058	24,094	17,097	11,715
Eurobonds issued	48,809	46,320	24,401	23,611
Amounts owed to credit institutions	45,613	14,375	28,315	6,886
Certificated debts	43,095	29,538	22,909	9,058
	212,677	139,429	115,883	65,966
Net interest income	87,852	27,859	44,452	18,055

Interest income from debt securities includes coupon received and accrued and discount accretion.

NOTE 5 – PROVISIONS FOR LOSSES

Provisions for losses in the consolidated profit and loss account represent the charge required in the current period to establish total allowance for losses carried forward in accordance with IFRS.

The movement in the allowances for interest earning assets during the six months ended 30 June 2005 and 2004 was:

	Due from credit institutions	Loans to customers	Total allowances
31 December 2003	12,713	174,136	186,849
Provisions charged to profit	6,563	21,936	28,499
30 June 2004	19,276	196,072	215,348
31 December 2004	9,296	276,097	285,393
Provisions charged to profit	6,601	11,299	17,900
Foreign exchange difference from translation to presentation currency (Note 3 (b))	(300)	(8,892)	(9,192)
30 June 2005	15,597	278,504	294,101

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The movement in the allowances for interest earning assets during the three months ended 30 June 2005 and 2004 was:

	Due from credit institutions	Loans to customers	Total allowances
31 March 2004	15,663	186,825	202,488
Provisions charged to profit	3,613	9,247	12,860
30 June 2004	19,276	196,072	215,348
31 March 2005	9,296	272,422	281,718
Provisions charged to profit	6,576	14,211	20,787
Foreign exchange difference from translation to presentation currency (Note 3 (b))	(275)	(8,129)	(8,404)
30 June 2005	15,597	278,504	294,101

The movement in the allowances and provisions for other risks during the six months ended 30 June 2005 and 2004 was:

	Available-for- sale investments	Other assets	Other risks	Total allowances
31 December 2003	26,957	613	9,205	36,775
(Recoveries) / provisions charged to profit	(1,279)	1,387	(2,356)	(2,248)
Amounts written off	-	(104)	-	(104)
30 June 2004	25,678	1,896	6,849	34,423
31 December 2004	26,289	478	5,839	32,606
Recoveries of provisions charged to profit	(3,097)	-	(621)	(3,718)
Foreign exchange difference from translation to presentation currency (Note 3 (b))	(846)	(15)	(189)	(1,050)
30 June 2005	22,346	463	5,029	27,838

The movement in the allowances and provisions for other risks during the three months ended 30 June 2005 and 2004 was:

	Available-for- sale investments	Other assets	Other risks	Total allowances
31 March 2004	25,676	1,488	6,556	33,720
Provisions charged to profit	2	408	293	703
30 June 2004	25,678	1,896	6,849	34,423
31 March 2005	26,407	477	4,827	31,711
(Recoveries) / provisions charged to profit	(3,288)	-	375	(2,913)
Foreign exchange difference from translation to presentation currency (Note 3 (b))	(773)	(14)	(173)	(960)
30 June 2005	22,346	463	5,029	27,838

Allowances for losses on assets are deducted from the related asset. Provisions for other risks are recorded in liabilities (see Note 28). In accordance with the statutory legislation, loans may only be written off with the approval of the Council of the Bank and, in certain cases, with the respective decision of the Court.

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NOTE 6 – DEALING PROFITS/(LOSSES), NET

Net dealing profits for the six months ended 30 June 2005 and 2004 comprise:

	6 months ended 30 June 2005			6 months ended 30 June 2004		
	Fair value adjustment	Sale and redemption	Total	Fair value adjustment	Sale and redemption	Total
Corporate shares	41,176	56,373	97,549	274,945	20,560	295,505
Corporate bonds	974	1,735	2,709	(4,722)	3,410	(1,312)
Russian and Moscow government bonds	3,422	(1,857)	1,565	(10,399)	10,746	347
Derivatives	(13,917)	(7,863)	(21,780)	4,102	(6,033)	(1,931)
Dealing profit, net	31,655	48,388	80,043	263,926	28,683	292,609

Net dealing profits for the three months ended 30 June 2005 and 2004 comprise:

	3 months ended 30 June 2005			3 months ended 30 June 2004		
	Fair value adjustment	Sale and redemption	Total	Fair value adjustment	Sale and redemption	Total
Corporate shares	(4,239)	43,277	39,038	(33,986)	156	(33,830)
Corporate bonds	1,410	1,033	2,443	(5,521)	1,991	(3,530)
Russian and Moscow government bonds	3,824	(2,006)	1,818	(9,271)	1,333	(7,938)
Derivatives	5,664	(1,973)	3,691	11,654	(5,683)	5,971
Dealing profit, net	6,659	40,331	46,990	(37,124)	(2,203)	(39,327)

NOTE 7 – FEES AND COMMISSIONS INCOME AND EXPENSE

Fees and commissions income for the six months ended 30 June 2005 and 2004 comprise:

	6 months ended 30 June 2005	6 months ended 30 June 2004
Debit/credit cards	23,272	20,198
Settlements operations	13,172	6,689
Depository and custodian operations	11,831	10,603
Cash operations	6,568	6,652
Guarantees issued	3,996	2,180
Other	2,831	840
Fees and commissions income	61,670	47,162

Fees and commissions income for the three months ended 30 June 2005 and 2004 comprise:

	3 months ended 30 June 2005	3 months ended 30 June 2004
Debit/credit cards	12,717	10,499
Settlements operations	6,672	3,610
Depository and custodian operations	3,570	3,444
Cash operations	3,417	3,628
Guarantees issued	2,217	1,085
Other	779	400
Fees and commissions income	29,372	22,666

Commissions on debit/credit cards include commissions received from the Bank's clients on issue and processing of debit/credit cards and from other financial institutions on acquiring services.

GAZPROMBANK GROUP***Interim Consolidated Financial Statements for the Six Months Ended 30 June 2005***

Commission income from depository and custodian services for the six months ended 30 June 2005 includes USD 8,115 thousand that represents commission for the processing of dividend payments of OAO “Gazprom” to its shareholders via the Bank’s depository network (six months ended 30 June 2004 – USD 4,971 thousand).

Settlements commissions include commissions received for transfer of customers’ funds and other operations with clients’ accounts.

Fees and commissions expense for the six months ended 30 June 2005 and 2004 comprise:

	6 months ended 30 June 2005	6 months ended 30 June 2004
Debit/credit cards	3,402	2,432
Depository and custodian services	1,624	1,177
Guarantees received	1,098	740
Cash related services	1,071	849
Settlements operations	424	342
Other	1,666	5,177
Fees and commissions expense	9,285	10,717

Fees and commissions expense for the three months ended 30 June 2005 and 2004 comprise:

	3 months ended 30 June 2005	3 months ended 30 June 2004
Debit/credit cards	2,079	1,463
Depository and custodian services	751	825
Cash related services	622	361
Guarantees received	430	321
Settlements operations	110	181
Other	1,095	328
Fees and commissions expense	5,087	3,479

NOTE 8 – SALARIES AND ADMINISTRATIVE EXPENSES

Salaries and administrative expenses for the six and three months ended 30 June 2005 and 2004 comprise:

	6 months ended 30 June		3 months ended 30 June	
	2005	2004	2005	2004
Salaries	100,705	51,228	59,202	25,502
Bonuses to the Board of Directors	19,614	8,616	19,614	8,616
Social security costs	12,564	9,443	5,285	3,311
Salaries and employment benefits	132,883	69,287	84,101	37,429
Professional services	8,861	3,994	5,754	3,066
Rental	8,621	4,571	5,089	2,767
Occupancy	7,201	6,180	4,153	3,417
Operating taxes	6,694	4,907	3,223	2,282
Communications	3,599	2,990	1,993	1,695
Business development	3,214	3,212	2,135	1,075
Insurance expenses	1,773	1,220	1,018	807
Other	5,170	3,158	1,773	1,042
Administrative expenses	45,133	30,232	25,138	16,151

Salaries for the six months ended 30 June 2005 include USD 20,970 thousand that relates to bonus payments to the Management Board based on 2004 financial results of the Group (six months ended 30 June 2004 - nil). The operating taxes include property tax, value added tax, transport tax and other minor taxes paid according to Russian tax legislation.

The Group has pension arrangements under the State pension system of the Russian Federation. The Russian Federation system requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense, included in social security costs, is charged to the consolidated profit and loss account in the period the related compensation is earned by an employee.

NOTE 9 – PROFIT TAX

The provision for profit taxes for the six and three months ended 30 June 2005 and 2004 comprises:

	6 months ended 30 June		3 months ended 30 June	
	2005	2004	2005	2004
Current tax charge	61,709	54,110	45,931	36,194
Deferred tax (recovery)/charge	(78,173)	21,453	(71,945)	(16,600)
Transfer of deferred tax previously recorded directly in equity	(453)	-	(453)	-
Profit tax (benefit)/expense	(16,917)	75,563	(26,467)	19,594

Russian legal entities must individually report taxable income and remit profit taxes thereon to the appropriate authorities. The Bank pays the majority of the Group's profit tax.

The effective profit tax rate differs from the statutory profit tax rate. A reconciliation of the profit tax provision based on the statutory rate with the actual profit tax provision follows:

	6 months ended 30 June 2005	6 months ended 30 June 2004
Profit before taxation	79,635	282,109
Statutory tax rate	24%	24%
Theoretical profit tax charge at statutory rate	19,112	67,706
Income taxed at different rates	(893)	(580)
Tax concession of subsidiary	-	(333)
Tax effect of permanent differences	(35,136)	8,770
Profit tax (benefit)/expense	(16,917)	75,563

As of 30 June 2005 tax assets consist of current profit tax asset of USD 12,845 thousand (31 December 2004 – USD 14,786 thousand) (see Note 17). The current profit tax asset arises from advance payments of profit tax by the Bank due to the statutory advance tax payments system and is usually realized either by off-setting with the Bank's profit tax liabilities in subsequent periods or upon repayment by the tax authorities.

As of 30 June 2005 and 31 December 2004 the Group's profit tax liability comprises:

	30 June 2005	31 December 2004
Current profit tax liabilities	40,363	56,175
Deferred profit tax liabilities	919	84,665
Tax liabilities	41,282	140,840

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GAZPROMBANK GROUP**Interim Consolidated Financial Statements for the Six Months Ended 30 June 2005**

Deferred tax liabilities are the amounts of profit taxes payable in future periods in respect of taxable temporary differences.

The following represents an analysis of the deferred tax balance sheet position as of 30 June 2005 and 31 December 2004, respectively.

	30 June 2005	31 December 2004
Tax effect of deductible temporary differences		
Fair value adjustments	38,644	14,769
Accrued expenses	2,100	1,362
Provision for losses	5,143	36
Other	8,140	10,680
Deferred profit tax asset	54,027	26,847
Tax effect of taxable temporary differences		
Fair value adjustments	(22,875)	(80,245)
Provision for losses	(4,812)	(7,904)
Accrued interest	(2,968)	-
Asset held for sale	(14,451)	(14,451)
Other	(9,840)	(8,912)
Deferred profit tax liability	(54,946)	(111,512)
Net deferred profit tax liability	(919)	(84,665)

A reconciliation of changes in the balance sheet deferred profit tax position during six months ended 30 June 2004 and 2005 follows:

Deferred profit tax liability as of 31 December 2003	90,948
Deferred tax charged to the profit and loss account (restated)	21,453
Change in deferred tax recorded directly to equity (restated)	(4,608)
Deferred profit tax liability as of 30 June 2004	107,793
Deferred profit tax liability as of 31 December 2004	84,665
Deferred tax charge to the profit and loss account	(78,173)
Change in deferred tax recorded directly to equity	(2,847)
Foreign exchange difference from translation to presentation currency (Note 3 (b))	(2,726)
Deferred profit tax liability as of 30 June 2005	919

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NOTE 10 – CASH AND DUE FROM THE CENTRAL BANK OF THE RUSSIAN FEDERATION

Cash and due from the Central Bank of the Russian Federation comprise:

	30 June 2005	31 December 2004
Cash on hand	144,928	178,014
Current accounts	86,327	875,466
Obligatory reserve	222,671	189,578
Cash and due from the Central Bank of the Russian Federation	453,926	1,243,058

The Central Bank of the Russian Federation requires credit institutions to maintain a non-interest earning cash deposit (obligatory reserve) with the Central Bank of the Russian Federation, the amount of which depends on the level of funds attracted by a credit institution. The Bank's ability to withdraw such deposit is significantly restricted by the statutory legislation.

NOTE 11 – DUE FROM CREDIT INSTITUTIONS

Due from credit institutions comprise:

	30 June 2005	31 December 2004
Current accounts	540,302	399,337
Time deposits	2,780,406	845,741
	3,320,708	1,245,078
Less – Allowances for loan losses	(15,597)	(9,296)
Due from credit institutions, net	3,305,111	1,235,782

As of 30 June 2005 31 % (USD 1,027,677 thousand) of the gross amounts due from credit institutions relate to placements with Deutsche bank (Germany) and Rosprombank (Russian Federation). As of 31 December 2004, 29% (USD 356,764 thousand) of the gross amounts due from credit institutions relate to placements with Deutsche Bank AG (Germany) and Rosprombank (Russian Federation).

Included in amounts due from credit institutions is USD 60,000 thousand non-convertible subordinated loan to Altalanos Ertekforgalmi Bank (Hungary) ("AEB"), which bears one-year LIBOR interest. The above loan has been established by the Group to AEB in December 1997 with maturity in December 2007.

Also, as of 30 June 2005 the Group granted two U.S. Dollar-denominated subordinated loans to an associate bank Belgazprombank (Belorussia) in amount of USD 5,000 thousand each; loans mature in December 2001 and March 2012 and earn interest at USD 6-month LIBOR plus 6%.

Additionally, as of 30 June 2005 the Group has pledged USD 54,995 thousand of placements with Deutsche Bank AG as collateral for syndicated loans received by OAO "Gazprom" (31 December 2004 – USD 63,242 thousand). The same amounts are blocked as collateral on escrow accounts of OAO "Gazprom" (see Note 19).

As of 30 June 2005 the Bank had USD 5,903 thousand placed on time deposits with foreign banks that represent amounts transferred under letters of credit opened with the Bank (31 December 2004 – USD 13,821 thousand). These placements are covered by customer funds blocked on their time deposit accounts (see Note 19).

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NOTE 12 – SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Securities at fair value through profit or loss comprise:

	30 June 2005		31 December 2004	
	Nominal value	Carrying value	Nominal value	Carrying value
Corporate shares	43,185	730,171	73,848	1,149,569
Corporate bonds	309,674	316,751	222,124	227,992
Russian and Moscow government bonds	150,771	154,895	147,105	157,536
Promissory notes	117,501	114,556	152,249	146,533
	621,131	1,316,373	595,326	1,681,630

As of 30 June 2005 corporate shares included USD 703,279 thousand of OAO “Gazprom” ordinary shares (31 December 2004 – USD 1,115,074 thousand). Other Russian “blue-chip” companies corporate shares represent the rest of the equities portfolio.

In June 2005 the Russian Federation, acting through a state owned entity OOO “Rosneftegas”, acquired from Gazprom Group companies treasury shares of OAO “Gazprom” comprising 10.74% of outstanding stock of the company for USD 7.12 billion, in order to obtain a majority shareholding in OAO “Gazprom”. As part of the transaction, the Group sold a 1.08% interest in OAO “Gazprom” to OOO “Rosneftegas”. Part of the Ruble-denominated nominal proceeds amounting to USD 402,948 thousand were received in July 2005, the remaining amount of USD 313,901 thousand is deferred to December 2005 and earns 7.5% p.a. See Note 13.

Corporate bonds consist of USD 13,671 thousand of OAO “Gazprom” bonds (31 December 2004 – USD 17,493 thousand). The remaining balance comprises corporate bonds of Russian “blue-chip” enterprises. The annual nominal coupon rates on these bonds range from 0.4 % to 16.0% and yields to maturity range from 2.7% to 13.0%.

Russian and Moscow government bonds comprise Ruble and foreign currency denominated government securities issued and guaranteed by the Ministry of Finance of the Russian Federation (OFZ, Russian Eurobonds, Vnesheconombank (VEB) bonds), and municipal bonds issued and guaranteed by the government of the City of Moscow.

The promissory notes portfolio is represented by liquid promissory notes of Russian “blue-chip” companies.

As of 30 June 2005 the Group has pledged USD 50,500 thousand of corporate bonds under repurchase agreements, which were due in October 2005 (31 December 2004 – USD 60,610 thousand of corporate bonds). Subsequently all the deals were settled in the normal course of business. See also Note 18.

Securities at fair value through profit or loss are measured on quoted bid prices. It should be noted that because of the relative illiquidity in the Russian securities markets, the market quotations used in valuing the Group’s securities may not be reflective of their fair value in an exchange between a willing buyer and a willing seller due to the volume of the Group’s holdings.

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NOTE 13 – LOANS TO CUSTOMERS

Loans to customers made within the Russian Federation and abroad comprise:

	30 June 2005	%	31 December 2004	%
Gas extraction, transportation and sale enterprises	1,138,585	19%	1,309,361	25%
Manufacturing	1,059,187	18%	1,048,132	20%
Leasing and finance	912,482	15%	1,032,711	19%
Russian Federation	717,301	12%	-	-
Trading enterprises	473,283	8%	350,289	7%
Oil extraction, transportation and sale enterprises	440,159	7%	417,921	8%
Nuclear industry	404,429	7%	416,925	8%
Individuals	252,011	4%	187,041	4%
Transport	234,687	4%	59,407	1%
Real estate construction	100,391	2%	133,985	2%
Other	317,266	4%	364,412	6%
	6,049,781	100%	5,320,184	100%
Less – Allowances for loan losses	(278,504)		(276,097)	
Loans to customers, net	5,771,277		5,044,087	

The Group has significant loan exposures relating to OAO “Gazprom” Group. As of 30 June 2005 such exposures accounted for 29% (USD 1,725,522 thousand) of the gross loan portfolio (31 December 2004 – 35% or USD 1,863,490 thousand).

As of 30 June 2005 one credit exposure to Europol Gaz SA, an OAO “Gazprom” associate company, represented 12% (USD 747,556 thousand) of the gross loans to customers (31 December 2004 – 15% or USD 773,637 thousand). Europol Gaz SA is a joint-stock company incorporated in Poland and established for the purpose of constructing gas pipelines from Belarus through Poland to Western Europe. Construction began in 1997 and the first pipeline was completed at the end of 1999, allowing gas deliveries to commence in Poland. Europol Gaz SA will retain ownership of the pipelines and repay the loan from transport fees it charges for gas shipment via the pipelines. In December 2004 the Group has changed the legal structure of a portion of the loan to Europol Gaz SA amounting as of 31 December 2004 to USD 763,181 thousand, which was converted into tradable debt instruments linked to the cash flows from the Europol Gaz SA loan. Such operation resulted in a more flexible legal structure of the loan, allowing the Group to use it for refinancing purposes and opening way to a possible sale of portions of the loan. As of 30 June 2005 the portion of the loan not affected by the securitization amounts to USD 7,898 thousand (31 December 2004 – USD 10,456 thousand). According to the economic substance of the asset (including the securitized portion), Management classifies it as a loan originated by the Group.

As of 30 June 2005 USD 110,667 thousand of loans to customers were originated by the Group by purchasing of the borrowers promissory notes (31 December 2004 – USD 45,846 thousand).

Included in loans to customers as of 30 June 2005 is an amount of USD 717,301 thousand that relates to a Ruble-denominated receivable from a state-owned company OOO “Rosneftegas” on the sale of OAO “Gazprom” ordinary shares. Receivable is presented at amortized cost. See Note 12.

The Group’s loan portfolio has been extended to the following types of enterprises:

	30 June 2005	31 December 2004
Private companies	3,586,945	3,583,226
State controlled companies	2,210,825	1,549,917
Individuals	252,011	187,041
Loans to customers	6,049,781	5,320,184

As of 30 June 2005 the amount of contractually overdue loans was USD 31,760 thousand (31 December 2004 – USD 50,147 thousand). As of 30 June 2005 the amount of non-performing loans was USD 28,875 thousand (31 December 2004 – USD 39,018 thousand). See Note 3(j) for accounting policy on non-performing loans.

As of 30 June 2005 the fair value of loans to customers estimated based on the valuation techniques described in Note 3 (n) lies in the range from USD 5,771,277 thousand to USD 5,781,108 thousand (31 December 2004 – from USD 5,023,099 thousand to USD 5,044,087 thousand).

NOTE 14 – AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	30 June 2005	31 December 2004
Available-for-sale investments accounted for at fair value	946,368	1,043,221
Available-for-sale investments accounted for under the equity method	-	602
Available-for-sale investments accounted for at cost:		
- Unconsolidated subsidiaries	57,353	31,740
- Associates accounted for at cost	56,619	41,743
- Other investments accounted for at cost	142,033	24,421
	1,202,373	1,141,727
Less – Allowances for impairment	(22,346)	(26,289)
Available-for-sale investments, net	1,180,027	1,115,438

a) *Investments accounted for at fair value*

Mosenergo restructuring

As of 30 June 2005 and 1 April 2005 the Group owned a 6.6% investment in AO “Mosenergo” (“Mosenergo”), Russia’s largest regional utility company and the principal supplier of electricity and heat to the Moscow region.

As part of the restructuring of the Russian energy industry, Mosenergo was reorganized on 1 April 2005 pursuant to which 13 new companies involved in various aspects of power generation and distribution were spun-off from Mosenergo. Mosenergo’s shareholders, including the Group, have obtained interests in the new companies in proportion to their original shareholding in Mosenergo. As a result of the restructuring, the Group currently owns 6.6% interest in the 13 new companies in addition to Mosenergo. Following 1 April 2005, the Mosenergo shares no longer represent the value of the new 13 companies that were formed.

The Group initially recognized the stakes in the 14 companies including the “new” restructured Mosenergo at their fair value, which is deemed to equal the fair value of the stake in Mosenergo as of 31 March 2005, i.e. immediately before the restructuring (USD 214,985 thousand). The fair value was assigned to each of the new companies in proportion to the relative value of their net assets as of the restructuring date. Subsequent to the initial recognition:

- the Mosenergo shares are re-measured at each balance sheet date to fair value which is estimated based on their market quotations. As of 30 June 2005 their fair value amounted to USD 159,646 thousand;
- the shares of the 13 spun-off companies are currently not quoted in an active market; moreover, due to the ongoing restructuring process and setup of the companies’ business Management believes that the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. As a result, the Group accounts for the investments in the 13 spun-off companies at cost being the fair value assigned to each company as of the date of restructuring and totaling USD 130,434 thousand (see Note 14(d) “Other investments accounted for at cost”).

Other investments accounted for at fair value

Included in investments accounted for at fair value as of 30 June 2005 is an amount of USD 634,767 thousand that represents a 5.2% investment in the Russian energy producing and supply company RAO "UES" (31 December 2004 – USD 668,624 thousand). In July 2005 the Group sold this investment for approximately USD 797,855 thousand (see Note 30).

As of 30 June 2005 USD 43,675 thousand represents an investment of 50% in SIA Investments Ltd. (Cyprus) – a holding company, which effectively owns a portfolio of Russian "blue-chip" securities (31 December 2004 – USD 72,621 thousand). The investment is measured at fair value based on market quoted prices of the underlying securities. These underlying securities are pledged against liabilities to third parties. In July 2005 the Group has sold this investment for approximately USD 95,165 thousand (see Note 30).

Also, included in investments accounted for at fair value as of 30 June 2005 is an amount of USD 50,273 thousand that represents two issues of credit-linked notes ("CLNs") maturing in May and June 2008 and earning interest at 6-month USD LIBOR plus 3.25% and 3.0%, accordingly. CLNs were issued by an international bank and were acquired by the Group in May and June 2005.

Included in investments accounted for at fair value as of 30 June 2005 is an amount of USD 38,568 thousand (31 December 2004 – USD 25,417 thousand) that represents an investment of 5% in a UK-based oil and gas exploration and production company. The fair value of the investment is based on the quoted market price of the shares.

In 2005 the Group has acquired participation shares of two foreign investment funds specialized in investing in the Russian debt and equity markets for USD 19,388 thousand. As of 30 June 2005 the fair value of these investments calculated based on the funds net assets value (NAV) equalled to USD 19,439 thousand.

The available-for-sale investments above are measured at fair value based on quoted bid prices. It should be noted that because of the relative illiquidity in the Russian securities markets, the market quotations used in valuing the Group's securities may not be reflective of their fair value in an exchange between a willing buyer and a willing seller due to the volume of the Group's holdings.

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GAZPROMBANK GROUP
Interim Consolidated Financial Statements for the Six Months Ended 30 June 2005
b) Unconsolidated subsidiaries

As of 30 June 2005 and 31 December 2004, the Group had investments in the following unconsolidated subsidiaries:

Name	Principal activity	Country	30 June 2005		31 December 2004	
			Group's holding, %	Cost of investment	Group's holding, %	Cost of investment
Atomstroyexport	Nuclear Industry	Russia	53.9%	24,798	17.6%	-*
Severgazbank	Banking	Russia	97.9%	21,929	88.3%	20,867
Sibirgazbank	Banking	Russia	51.3%	5,664	51.3%	5,852
Raschetno-Depositarnaya Kompanya	Clearing & Custody	Russia	80.0%	1,593	56.0%	1,249
Sochigazprombank	Banking	Russia	85.3%	795	85.3%	822
Gazprombank Asset Management	Asset Management	Russia	100.0%	733	100.0%	758
Ecomet-S	Chemical	Russia	85.3%	600	85.3%	620
Volgobait	Information Technology	Russia	94.0%	593	94.0%	613
IDF Anlagegesellschaft	Investment fund	Liechtenstein	100.0%	390	100.0%	405
Gazprombank-Leasing Standard	Leasing	Russia	100.0%	104	100.0%	108
Gaztechleasing	Leasing	Russia	100.0%	89	100.0%	92
Gazprombank-Leasing	Leasing	Russia	100.0%	17	100.0%	17
Tulagiprokhim	Chemical	Russia	50.1%	9	50.1%	9
Finactive	Financial Services	Russia	67.0%	7	-	-
Kompanya Risk-Management Consulting	Consulting	Russia	100.0%	6	100.0%	6
Energoinvest-Finance	Real Estate	Russia	100.0%	4	100.0%	4
Oniks	Securities Trading	Russia	100.0%	4	100.0%	1
Status	Securities Trading	Russia	100.0%	3	100.0%	1
Korporatsya Finansirovanya Gasovoi Otrasy	Financial Services	Russia	100.0%	3	100.0%	4
Korporatsya Finansirovanya Elektroenergetiki	Financial Services	Russia	100.0%	3	100.0%	4
Investgarant	Securities Trading	Russia	100.0%	2	100.0%	2
Finproject	Securities Trading	Russia	100.0%	2	100.0%	2
Areks	Financial Services	Russia	100.0%	1	-	-
Rubin	Financial Services	Russia	100.0%	1	-	-
Rekstroy	Financial Services	Russia	100.0%	1	-	-
Akvilon	Financial Services	Russia	100.0%	1	-	-
Metalinvest	Financial Services	Russia	100.0%	0.3	100.0%	0.4
Etoal	Trading	Russia	100.0%	0.3	100.0%	0.3
Stroy-Profit	Securities Trading	Russia	100.0%	0.3	100.0%	0.3
Gasenergo Capital Ltd.	Financial Services	Ireland	100.0%	0.001	100.0%	0.001
Gasenergo Finance Ltd.	Financial Services	Ireland	100.0%	0.001	100.0%	0.001
Arosgas Holding AG	Investment fund	Austria	-	-**	100.0%	103
G.P. Reinsurance Company Ltd.	Insurance	Isle of Man	-	-	100.0%	200
Gaztechinvest	Financial Services	Russia	-	-	100.0%	0.3
			57,353		31,740	

* Included in other available-for-sale investments accounted for at cost.

** This subsidiary was consolidated in the Group's financial statements starting from the date it became material.

GAZPROMBANK GROUP**Interim Consolidated Financial Statements for the Six Months Ended 30 June 2005****c) Associates accounted for at cost**

As of 30 June 2005 and 31 December 2004, the Group has investments in the following associates accounted for at cost:

Name	Principal activity	Country	30 June 2005		31 December 2004	
			Group's holding, %	Cost of investment	Group's holding, %	Cost of investment
Sovfintrade	Banking	Russia	25.8%	18,099	25.8%	18,701
Gazenergoprombank	Banking	Russia	45.2%	13,842	45.2%	14,303
Belgazprombank	Banking	Belarus	33.9%	8,508	33.9%	6,447
SK Regiongarant	Financial Services	Russia	38.5%	7,490	-	-
Mezhregionteploenergo	Energy	Russia	40.8%	4,644	-	-
Evropeyskiy	Banking	Russia	33.7%	1,808	33.7%	1,868
Specdepozitarii	Custody	Russia	25.0%	1,177	-	-
Odex Exploration Ltd.	Oil & gas	Cyprus	20.0%	583	-	-
Spetsialisirovanny registrator	Custody	Russia				
Draga			20.0%	197	20.0%	204
Eta & Co.	Information Technology	Russia				
			33.3%	145	33.3%	150
Energogazleasing	Leasing	Russia	50.0%	43	50.0%	44
RosUkrEnergo AG	Gas trading	Switzerland	50.0%	40	-	-
Sofrasi	Representative office	France				
			30.0%	20	30.0%	21
Shtoss	Financial Services	Russia	50.0%	14	-	-
Sibirskaya Investitsionnaya Kompanya	Securities Trading	Russia				
			50.0%	5	50.0%	5
Tekhnoservice	Financial Services	Russia	33.0%	4		-
				56,619		41,743

Unconsolidated subsidiaries and associates have not been consolidated with the results of the Group nor accounted for under the equity method, as either the Group does not execute control or significant influence over some of the subsidiaries and associates, or the effect would not materially alter the financial position of the Group as of 30 June 2005 and 31 December 2004 or the results of its operations or cash flows of the Group for the periods then ended.

The Group has discontinued the use of the equity method accounting for investment in Odex Exploration Ltd. (Cyprus) (ODEX) as it has ceased to have significant influence over the associate since 1 January 2005. As of 30 June 2005 the investment in ODEX is accounted for at cost being the carrying value of the investment as at the date the Group has ceased equity method accounting.

d) Other investments accounted for at cost

Included in other investments accounted for at cost is USD 130,434 thousand representing investments in 13 companies that were formed as a result of AO "Mosenergo" restructuring (see Note 14(a) "Investments accounted for at fair value" – "Mosenergo restructuring").

Other investments accounted for at cost also include minor stakes in various Russian companies.

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The equity instruments disclosed above (other than those accounted for at fair value) are carried at cost, because they do not have a quoted market price in an active market and other methods of reasonably estimating fair value are unworkable due to the lack of reliable information for discounted cash flow analysis and the absence of comparable quoted companies. It is also currently impossible to calculate the range of estimates within which fair value of the equity investments is highly likely to lie. Thus the investments are carried at cost, and impairment allowances of USD 22,346 thousand are set up as of 30 June 2005 (31 December 2004 – USD 26,289 thousand).

The movements of available-for-sale investments during the six months ended 30 June 2005 and 30 June 2004 were as follows:

31 December 2003	176,429
Net effect of adjustments to fair value	(18,635)
Available-for sale investments purchased	691,670
Available-for sale investments disposed	(8,167)
Effect of consolidation of subsidiaries	(29)
30 June 2004	841,268
31 December 2004	1,141,727
Net effect of adjustments to fair value	(11,922)
Available-for sale investments purchased	168,683
Effect of consolidation of subsidiaries	(94)
Rights issue of an associate	2,275
Available-for sale investments disposed	(61,528)
Foreign exchange difference from translation to presentation currency (Note 3 (b))	(36,768)
30 June 2005	1,202,373

Net profit from available-for-sale investments for the six months ended 30 June 2005 represents realized gains on disposal of the Group's available-for-sale investments, including USD 3,662 thousand on sale of 100% interest in G.P. Reinsurance Company Ltd. (Isle of Man).

NOTE 15 – ASSET HELD FOR SALE

In 2005 the Council of the Bank has approved the decision taken by the Management Board of the Bank in September 2004 on disposal of the 25.5% investment in Altalanos Ertekeforgalmi Bank (AEB) (Hungary) for a negotiated with potential buyers price of USD 80,000 thousand. The parties signed the formal agreement on 12 October 2005; the Hungarian banking supervisory authorities approved the deal and the settlements are to be completed by November 2005. As a result of the decision to sell off the investment in AEB the Group discontinued the use of the equity method of accounting for the investment in 2004 and classified it as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Subsequent to the classification as held for sale the investment is accounted for at fair value less costs to sell, which is equal to the offer price of the deal. As of 30 June 2005 foreign exchange difference from translation of asset held for sale measured at the functional currency (Russian Ruble) to presentation currency was USD 2,576 thousand.

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NOTE 16 – PROPERTY, EQUIPMENT AND INTANGIBLES

The movements of property, equipment and intangibles during the six months ended 30 June 2005 and 31 December 2004 were as follows:

	Land and buildings	Office equipment and leasehold improvements	Software	Assets under construction	Total
Cost of acquisition					
31 December 2003	23,303	58,000	7,037	14,037	102,377
Additions	103	7,679	561	12,156	20,499
Disposals	-	(1,974)	(116)	(5,113)	(7,203)
30 June 2004	23,406	63,705	7,482	21,080	115,673
31 December 2004	23,970	70,458	8,444	20,437	123,309
Additions	1,678	7,562	866	11,224	21,330
Disposals	(145)	(1,076)	(110)	(9,066)	(10,397)
Foreign exchange difference from translation to presentation currency (Note 3 (b))	(772)	(2,269)	(272)	(659)	(3,972)
30 June 2005	24,731	74,675	8,928	21,936	130,270
Accumulated depreciation and amortization					
31 December 2003	1,466	35,872	4,095	-	41,433
Charge for the period	233	8,121	708	-	9,062
Disposals	-	(586)	(4)	-	(590)
30 June 2004	1,699	43,407	4,799	-	49,905
31 December 2004	1,925	48,137	5,553	-	55,615
Charge for the period	235	8,788	889	-	9,912
Disposals	(6)	(610)	(22)	-	(638)
Foreign exchange difference from translation to presentation currency (Note 3 (b))	(62)	(1,551)	(179)	-	(1,792)
30 June 2005	2,092	54,764	6,241	-	63,097
Net book value					
30 June 2004	21,707	20,298	2,683	21,080	65,768
31 December 2004	22,045	22,321	2,891	20,437	67,694
30 June 2005	22,639	19,911	2,687	21,936	67,173

As of 30 June 2005 the gross carrying amount of fully depreciated property and equipment that is still in use by the Group was USD 5,190 thousand (31 December 2004 – USD 4,792 thousand).

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NOTE 17 – OTHER ASSETS

Other assets comprise:

	Note	30 June 2005	31 December 2004
Inventories	3 (q)	51,414	43,338
Derivative contracts	24	27,663	32,162
Receivables from operations with securities		23,367	17,357
Bullion in vault		20,869	521
Dividends receivable		19,503	-
Profit tax assets	9	12,845	14,786
Debtors and prepayments		5,132	5,680
Other		8,209	17,947
		169,002	131,791
Less – Allowance for impairment		(463)	(478)
Other assets, net		168,539	131,313

NOTE 18 – AMOUNTS OWED TO CREDIT INSTITUTIONS

Amounts owed to credit institutions comprise:

	30 June 2005	31 December 2004
Current accounts	48,859	31,852
Time deposits	702,019	873,250
Syndicated loans	800,196	415,662
Amounts owed to credit institutions	1,551,074	1,320,764

In April 2004 the Group received a three-year committed loan in the amount of USD 650,000 thousand from a syndicate of foreign banks. The loan bears interest at USD 6-month LIBOR plus 1.5%. Included in syndicated loans as of 30 June 2005 is the amount of USD 650,881 thousand that relates to the amounts owed to banks under this agreement.

In December 2004 the Group received a U.S. Dollar-denominated syndicated loan in amount of USD 150,000 thousand from West-Deutsche Landesbank (Germany). The loan bears interest at USD 6-month LIBOR plus 1.8% and matures in December 2005. Included in syndicated loans as of 30 June 2005 is the amount of USD 149,315 thousand that relates to the amounts owed to banks under this agreement.

As of 30 June 2005, 25% (USD 382,477 thousand) of amounts owed to credit institutions relates to Deutsche Bank AG (Germany) and ABN AMRO Bank (Netherlands). As of 31 December 2004, 25% (USD 330,942 thousand) of amounts owed to credit institutions relate to Dresdner Bank AG (Germany) and Vnesheconombank (Russian Federation).

Included in time deposits as of 30 June 2005 is USD 43,356 thousand that represents funds received from credit institutions under repurchase agreements (31 December 2004 – USD 50,265 thousand). See also Note 12.

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NOTE 19 – AMOUNTS OWED TO CUSTOMERS

Amounts owed to customers comprise:

	30 June 2005	31 December 2004
Current accounts:		
- State controlled companies	3,035,888	1,940,369
- Private companies	561,180	541,241
- Individuals	528,481	422,270
	4,125,549	2,903,880
Time deposits:		
- State controlled companies	376,236	497,584
- Private companies	439,244	288,350
- Individuals	810,228	701,127
	1,625,708	1,487,061
Subordinated deposits:		
- State controlled companies	271,589	305,526
- Private companies	301,687	311,726
	573,276	617,252
Amounts owed to customers	6,324,533	5,008,193

As of 30 June 2005 current accounts and time deposits of OAO “Gazprom” Group composed 57% (USD 3,591,367 thousand) of the Group’s total amounts owed to customers (31 December 2004 – 53% or USD 2,634,673 thousand).

The following represents amounts, which were blocked by the Group as collateral against the Group’s placements with Deutsche Bank AG related to syndicated loans received by OAO “Gazprom” (“escrow accounts”); and as coverage under letters of credit opened by the Bank as of 30 June 2005 and 31 December 2004 (see Note 11).

	30 June 2005	31 December 2004
Coverage under letters of credit	129,208	130,213
Escrow accounts	54,995	63,228
Blocked customer accounts	184,203	193,441

As of 30 June 2005 the Group had USD 573,276 thousand of subordinated deposits (31 December 2004 – USD 617,252 thousand), including deposits of OAO “Gazprom” Group in amount of USD 271,589 thousand (31 December 2004 – USD 305,526 thousand). Subordinated deposits mature between 2005 and 2016. Interest rates on OAO “Gazprom” Group deposits are floating and are linked to LIBOR, the rest of subordinated deposits bear fixed Rouble interest rates up to 6.5%.

As of 30 June 2005 the fair value of customer deposits estimated based on the valuation techniques described in Note 3 (n) lies in the range from USD 6,324,533 thousand to USD 6,352,529 thousand (31 December 2004 – from USD 5,008,193 thousand to USD 5,077,878 thousand).

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NOTE 20 – CERTIFICATED DEBTS AND EUROBONDS ISSUED

Certificated debts issued domestically comprise:

	30 June 2005	31 December 2004
Promissory notes issued	1,452,621	1,264,102
Certificates of deposit issued	99,074	89,606
Certificated debts	1,551,695	1,353,708

As of 30 June 2005 the yield to maturity of certificated debts issued by the Group ranges from nil to 21% (31 December 2004 – nil to 21%).

As of 30 June 2005 eurobonds issued comprise USD 1,248,771 thousand (31 December 2004 – USD 1,263,342 thousand). Eurobonds issued represent internationally traded Euro Medium Term Notes issued in October 2002 with face value of Euro 150,000 thousand maturing in October 2005 (coupon of 9.75% p.a. paid annually); and Loan Participation Notes issued in October 2003 with face value of USD 750,000 thousand maturing in October 2008 and additionally issued in January 2004 under the same LPN program with face value of USD 300,000 thousand (coupon of 7.25% p.a. paid semi-annually).

As of 30 June 2005 the fair value of certificated debts issued by the Group estimated based on the valuation techniques described in Note 3 (n) lies in the range from USD 1,551,695 thousand to USD 1,749,300 thousand (31 December 2004 – from USD 1,353,708 thousand to USD 1,639,327 thousand).

NOTE 21 – OTHER LIABILITIES

Other liabilities comprise:

	Note	30 June 2005	31 December 2004
Advances received on securities operations		102,433	106,249
Dividends payable	23	54,964	-
Payable to employees		39,192	5,674
Derivative contracts	24	30,906	12,644
Amounts due in bullion		19,918	-
Payable on operations with securities		10,427	18,967
Settlements with suppliers		8,860	2,015
Provisions for other risks	5, 28	5,029	5,839
Operating taxes payable		1,402	3,471
Other		2,596	1,089
Other liabilities		275,727	155,948

NOTE 22 – SHARE CAPITAL

The authorized and issued share capital comprises 13,331,851 ordinary shares at 30 June 2005 and 31 December 2004. All shares have a par value of 1,000 Rubles. The holders of ordinary shares are entitled to receive dividends as annually declared and are entitled to one vote per share at annual and other general meetings of the Bank's shareholders.

As of 30 June 2005 the Group held 317,729 of the Bank's shares (31 December 2004 – 317,729 shares).

The share capital of the Bank has been contributed by shareholders mainly in U.S. Dollars. According to Russian legislation, non-Ruble contributions are recorded in the statutory accounts in Rubles at the rate as of the date of the contribution, i.e. the historical Ruble equivalent of contributions is fixed – 13,331,851 thousand Rubles (see table below). As a result, shareholders are entitled to dividends and capital distributions in Rubles.

Prior to 1 January 2005 the functional currency of the Group's financial statements was the U.S. Dollar (see Note 2(b)). As a result, according to IFRS, non-U.S. Dollar capital contributions were recorded at the exchange rate as of the date of contribution, i.e. the historical U.S. Dollar equivalent of contributions was fixed – USD 907,057 thousand (see table below).

On 1 January 2005 the Group has changed its functional currency to the Russian Ruble. As a result of this change the U.S. Dollar historical value of share capital was translated to the Russian Ruble at the exchange rate as of the date of the change in the functional currency. In accordance with IFRS, the resulting Ruble equivalent of the contributed capital is treated as its new historical value in Russian Rubles – 25,169,653 thousand Rubles.

	Thousands of USD	Thousands of RUR
Share capital according to statutory legislation (U.S. Dollar equivalent shown at the rate at 31 December 2004)	487,068	13,331,851
Translation adjustment to achieve U.S. Dollar historical value of capital contributed at 31 December 2004 (effect of differences in RUR/USD exchange rates between the dates of capital contributions and 31 December 2004)	419,989	11,837,802
Share capital according to IFRS at 31 December 2004 (Ruble equivalent shown at the rate at 31 December 2004)	907,057	25,169,653

NOTE 23 – RETAINED EARNINGS AND EARNINGS PER SHARE

Dividends payable by the Group are restricted to the maximum distributable reserves, which are determined by the amount of reserves as disclosed in the accounts of the Bank prepared in accordance with statutory legislation. As of 30 June 2005, the statutory accounts of the Bank disclosed distributable reserves of USD 683,017 thousand and non-distributable reserves of USD 69,907 thousand (31 December 2004 – distributable reserves of USD 554,883 thousand and non-distributable reserves of USD 72,235 thousand). The major part of statutory non-distributable reserves are general reserves, which represent amounts set aside, as required by the regulations of the Russian Federation, in respect of general banking risks, including future losses and other unforeseen risks or contingencies.

In June 2005 the general meeting of shareholders of the Bank has approved a Ruble-denominated dividend payout for 2004 of USD 56,306 thousand including dividends attributable to shares owned by the Group in the amount of USD 1,342 thousand (dividends for 2003 paid in June 2004 – USD 50,512 thousand).

There were no dilutions during the reported periods that would have resulted from conversions, exercises, and other contingent issuances that individually would have decreased earnings per share reported by the Group. Basic earnings per share are calculated as follows.

	6 months ended 30 June		3 months ended 30 June	
	2005	2004	2005	2004
Net profit/(loss) for the period, USD	96,552,000	206,545,600	46,698,000	(95,686,400)
Weighted-average number of ordinary shares outstanding during the period	13,018,807	13,042,244	13,018,807	13,042,232
Basic earnings/(losses) per share	7.4	15.8	3.6	(7.3)

NOTE 24 – DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into deals with derivative financial instruments for trading purposes.

The Group's position and fair value of derivatives outstanding as of 30 June 2005 were as follows:

	Notional principal equivalent	Fair value of derivative contracts
Foreign exchange option contracts		
Call options written - foreign	(112,246)	(671)
Put options held - foreign	60,000	475
Put options written - foreign	(58,545)	(219)
	(110,791)	(415)
Foreign exchange forward contracts		
Assets foreign	132,627	4,584
Liabilities foreign	(375,000)	(7,811)
Assets domestic	176,760	3,172
Liabilities domestic	(769,800)	(12,560)
	(835,413)	(12,615)
Securities option contracts		
Call options written - foreign	(6,500)	(734)
Put options written - domestic	(51,972)	(7,487)
	(58,472)	(8,221)
Securities forward contracts		
Assets foreign	4,997	3
Liabilities foreign	(4,427)	(2)
Assets domestic	363,776	17,954
Liabilities domestic	(531,908)	53
	(167,562)	18,008

The Group's position and fair value of derivatives outstanding as of 31 December 2004 were as follows:

	Notional principal equivalent	Fair value of derivative contracts
Foreign exchange forward contracts		
Assets foreign	497,264	(3,908)
Liabilities foreign	(182,275)	(547)
Liabilities domestic	(65,000)	(519)
	249,989	(4,974)
Securities option contracts		
Call options written – foreign	(6,500)	(399)
Put options written – domestic	(79,643)	(7,186)
	(86,143)	(7,585)
Securities forward contracts		
Assets domestic	37,351	(85)
Liabilities domestic	(528,855)	32,162
	(491,504)	32,077

The fair value of the Group's position on derivatives was calculated as follows:

- **Bullion contracts** – based on the USD/gram of gold bullion exchange rate of the London Bullion Market Association effective as of reporting dates;
- **Foreign exchange contracts** – based on the appropriate official currency exchange rates as of the period end;
- **Securities contracts** – based on closing bid rates for corporate shares and debt securities quoted on Moscow Interbank Currency Exchange (MICEX) and Russian Trading System (RTS) as of the period-end.

The fair value of these transactions is believed to reflect the credit and other types of economic risk for the Group and therefore no allowance for losses on derivative contracts has been created.

The maturities of majority of derivative financial instruments are less than one year. However, a significant part of derivative contracts mature within 3-month period. Subsequent to the balance sheet date the short-term deals were settled at their maturities in the normal course of business.

NOTE 25– CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of 30 June 2005 and 31 December 2004 as shown in the consolidated cash flow statements comprised:

	30 June 2005	31 December 2004	30 June 2004
Cash on hand	144,928	178,014	103,604
Current account with the Central Bank of the Russian Federation	86,327	875,466	65,155
Due from credit institutions:			
– Current accounts	485,086	335,867	1,675,264
– Time deposits with a maturity of three months or less when originated	2,115,855	409,405	299,685
Cash and cash equivalents	2,832,196	1,798,752	2,143,708

Cash balances with contractual limitations on immediate disposal and overdue amounts have been excluded from cash and cash equivalents. As of 30 June 2005 the total amount of such balances was USD 55,216 thousand (31 December 2004 – USD 63,470 thousand).

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NOTE 26 – RISK MANAGEMENT POLICIES

Management of risk is fundamental to the banking business and is an essential element of the Group's operations. The Group considers risk management and risk controls to be vitally important aspects of its business operations and management activities, establishing and integrating these functions into corporate organization in the form of continuous process. The Group has set internal standards of risk transparency as the basis for controlling, limiting and managing risks. The Group has established a Risk Management Department, which directly reports to the Management Board and is responsible for developing methods used to measure risks and for independently measuring and monitoring risks on an ongoing basis. The Group considers economic dependence on OAO "Gazprom" (see Note 1 (b)) within the framework of its risk management policies.

In addition to that, the Group has an Internal Control Department, one of the activities of which is aimed specifically at preventing losses for the Group and its customers. Management believes that all the regulatory requirements of the Central Bank of the Russian Federation regarding an internal audit function are fully satisfied.

The main risks inherent to the Group's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Group's risk management policies in relation to those risks follows:

a) Credit risk

The Group is exposed to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers. Such risks are monitored on a revolving basis and subject to a quarterly or more frequent review. The Credit Committee approves limits on the level of credit risk by borrowers on a monthly basis.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off balance sheet expenses set by the Credit Committee, which is called once a week. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

The credit risk exposure on derivatives is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments.

Credit-related commitments ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are frequently fully or partially covered by the funds deposited by customers and therefore bear remote credit risk.

With respect to undrawn loan commitments the Group is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements. The Group's credit policy is approved and periodically reviewed by the Management Board.

GAZPROMBANK GROUP
Interim Consolidated Financial Statements for the Six Months Ended 30 June 2005

The geographical concentration of banking assets and liabilities as of 30 June 2005 and 31 December 2004 follows:

30 June 2005				
	Russia	OECD	Other non-OECD	Total
Assets				
Cash and due from CBR	453,926	-	-	453,926
Credit institutions, net	611,901	2,674,651	18,559	3,305,111
Securities at fair value through profit or loss	1,316,373	-	-	1,316,373
Loans to customers, net	4,722,514	790,220	258,543	5,771,277
Available for sale investments, net	1,038,829	88,893	52,305	1,180,027
Asset held for sale	-	77,424	-	77,424
Property, equipment and intangibles, net	67,173	-	-	67,173
Other assets, net	154,605	13,934	-	168,539
	8,365,321	3,645,122	329,407	12,339,850
Liabilities				
Credit institutions	247,959	1,269,548	33,567	1,551,074
Customers	6,054,972	183,748	85,813	6,324,533
Certificated debts	1,420,426	131,269	-	1,551,695
Eurobonds	-	1,248,771	-	1,248,771
Tax liabilities	41,282	-	-	41,282
Other liabilities	265,693	10,034	-	275,727
	8,030,332	2,843,370	119,380	10,993,082
Net position	334,989	801,752	210,027	1,346,768

31 December 2004				
	Russia	OECD	Other non-OECD	Total
Assets				
Cash and due from CBR	1,243,058	-	-	1,243,058
Credit institutions, net	641,465	573,629	20,688	1,235,782
Securities at fair value through profit or loss	1,681,630	-	-	1,681,630
Loans to customers, net	4,075,912	820,878	147,297	5,044,087
Available for sale investments, net	1,012,813	27,375	75,250	1,115,438
Asset held for sale	-	80,000	-	80,000
Property, equipment and intangibles, net	67,694	-	-	67,694
Other assets, net	131,313	-	-	131,313
	8,853,885	1,501,882	243,235	10,599,002
Liabilities				
Credit institutions	336,849	968,117	15,798	1,320,764
Customers	4,888,907	115,315	3,971	5,008,193
Certificated debts	1,238,086	115,622	-	1,353,708
Eurobonds	-	1,263,342	-	1,263,342
Tax liabilities	140,840	-	-	140,840
Other liabilities	150,629	5,319	-	155,948
	6,755,311	2,467,715	19,769	9,242,795
Net position	2,098,574	(965,833)	223,466	1,356,207

b) Operational risk

Operational risk arises from a failure to control properly all aspects of the documentation, processing, settlement of, and accounting for, transactions and, more widely, all the hazards to which the Group is exposed as a result of being in business and of doing business. Losses that are characterized as operational include, but are not limited to, the following examples: personnel unavailability or injury; natural disasters; the failure of external accounting systems such as an Exchange; the failure of internal controls; or the failure of internal processing systems.

By their nature, these risks are difficult to measure or quantify and are therefore handled judgements and with less precision than other types of risk.

c) Liquidity risk

The Group is exposed to daily calls on its available cash resources from overnight deposits, current deposits, maturing deposits, loan draw downs, guarantees and from margin and other derivatives settled by cash. The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due.

The Asset and Liability Management Committee sets limits on the minimum proportion of maturing funds available to cover such cash outflows and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The contractual maturities of assets and liabilities as of 30 June 2005 and 31 December 2004 follow:

30 June 2005								
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Overdue	Total
Assets								
Cash and due from CBR	376,628	12,156	15,668	21,856	23,484	4,134	-	453,926
Credit institutions, net	540,080	2,104,492	330,992	72,767	246,780	10,000	-	3,305,111
Securities at fair value through profit or loss	1,265,873	-	-	50,500	-	-	-	1,316,373
Loans to customers, net	74,297	846,222	927,889	1,669,054	1,450,941	797,632	5,242	5,771,277
Available for sale investments, net	-	-	-	697,882	209,918	272,227	-	1,180,027
Assets held for sale	-	-	-	77,424	-	-	-	77,424
Property, equipment and intangibles, net	-	-	-	-	44,534	22,639	-	67,173
Other assets, net	-	5,854	52,846	109,839	-	-	-	168,539
	2,256,878	2,968,724	1,327,395	2,699,322	1,975,657	1,106,632	5,242	12,339,850
Liabilities								
Credit institutions	48,859	318,413	42,258	250,252	891,292	-	-	1,551,074
Customers	4,129,007	345,264	445,018	620,784	667,031	117,429	-	6,324,533
Certificated debts	56,736	200,632	241,451	648,619	354,828	49,429	-	1,551,695
Eurobonds	-	193,636	-	-	1,055,135	-	-	1,248,771
Tax liabilities	-	-	-	41,282	-	-	-	41,282
Other liabilities	180	70,396	185,099	17,496	2,556	-	-	275,727
	4,234,782	1,128,341	913,826	1,578,433	2,970,842	166,858	-	10,993,082
Net position	(1,977,904)	1,840,383	413,569	1,120,889	(995,185)	939,774	5,242	1,346,768
Accumulated gap	(1,977,904)	(137,521)	276,048	1,396,937	401,752	1,341,526	1,346,768	

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GAZPROMBANK GROUP
Interim Consolidated Financial Statements for the Six Months Ended 30 June 2005
31 December 2004

	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Overdue	Total
Assets								
Cash and due from CBR	1,169,929	13,102	12,100	17,616	25,145	5,166	-	1,243,058
Credit institutions, net	399,050	377,306	166,157	216,679	71,590	5,000	-	1,235,782
Securities at fair value through profit or loss	1,621,020	60,610	-	-	-	-	-	1,681,630
Loans to customers, net	129,948	291,511	896,495	1,298,438	1,494,174	928,184	5,337	5,044,087
Available for sale investments, net	-	-	-	1,016,608	-	98,830	-	1,115,438
Assets held for sale	-	-	-	80,000	-	-	-	80,000
Property, equipment and intangibles, net	-	-	-	-	45,649	22,045	-	67,694
Other assets, net	-	5,680	28,801	96,832	-	-	-	131,313
	3,319,947	748,209	1,103,553	2,726,173	1,636,558	1,059,225	5,337	10,599,002
Liabilities								
Credit institutions	31,852	194,609	193,620	679,965	79,136	141,582	-	1,320,764
Customers	3,076,287	346,132	319,640	465,372	664,278	136,484	-	5,008,193
Certificated debts	63,690	134,414	167,328	578,940	363,113	46,223	-	1,353,708
Eurobonds	-	-	-	206,827	1,056,515	-	-	1,263,342
Tax liabilities	-	-	-	140,840	-	-	-	140,840
Other liabilities	293	36,207	4,879	112,515	2,054	-	-	155,948
	3,172,122	711,362	685,467	2,184,459	2,165,096	324,289	-	9,242,795
Net position	147,825	36,847	418,086	541,714	(528,538)	734,936	5,337	1,356,207
Accumulated gap	147,825	184,672	602,758	1,144,472	615,934	1,350,870	1,356,207	

The maturity gap analysis does not reflect the historical stability of current accounts, whose liquidation has historically taken place over a longer period than that indicated in the table above. The table is based upon these accounts' entitlement to withdraw on demand.

Management regards securities at fair value through profit or loss, except for those pledged under repurchase agreements, as liquid assets available for immediate disposal as they are stated at fair value at the report date. Maturities of available-for-sale investments are stated based on the Management plans as to their realization.

The maturity of the obligatory reserve with the Central Bank of the Russian Federation is based on the maturities of respective amounts owed to customers, that determine the amount of the obligatory reserve.

d) Interest rate risk

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest rate risk is measured by the extent to which changes in market interest rates impact margins and net income. To the extent the term structure of interest bearing assets differs from that of liabilities, net interest income will increase or decrease as a result of movements in interest rates.

Interest rate risk is managed by increasing or decreasing positions within limits, specified by the Group's management. These limits restrict the potential effect of movements in interest rates on interest margin and on the value of interest-sensitive assets and liabilities.

The Group's interest rate policy is reviewed and approved by the Asset and Liability Management Committee.

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GAZPROMBANK GROUP
Interim Consolidated Financial Statements for the Six Months Ended 30 June 2005

The table below summarizes the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts as of 30 June 2005 and 31 December 2004, categorized by the earlier of contractual repricing or maturity dates.

30 June 2005								
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Overdue	Total
Assets								
Cash and due from CBR	376,628	12,156	15,668	21,856	23,484	4,134	-	453,926
Credit institutions, net	540,080	2,104,492	330,992	142,767	186,780	-	-	3,305,111
Securities at fair value through profit or loss	1,265,873	-	-	50,500	-	-	-	1,316,373
Loans to customers, net	74,297	1,582,770	918,987	1,724,490	1,175,504	289,987	5,242	5,771,277
Available for sale investments, net	-	-	-	697,882	209,918	272,227	-	1,180,027
Assets held for sale	-	-	-	77,424	-	-	-	77,424
Property, equipment and intangibles, net	-	-	-	-	44,534	22,639	-	67,173
Other assets, net	-	5,854	52,846	109,839	-	-	-	168,539
	2,256,878	3,705,272	1,318,493	2,824,758	1,640,220	588,987	5,242	12,339,850
Liabilities								
Credit institutions	48,859	320,226	47,415	498,289	636,285	-	-	1,551,074
Customers	4,129,006	541,277	466,444	622,343	546,300	19,163	-	6,324,533
Certificated debts	56,736	200,632	241,451	648,619	354,828	49,429	-	1,551,695
Eurobonds	-	193,636	-	-	1,055,135	-	-	1,248,771
Tax liabilities	-	-	-	41,282	-	-	-	41,282
Other liabilities	180	70,395	185,100	17,496	2,556	-	-	275,727
	4,234,781	1,326,166	940,410	1,828,029	2,595,104	68,592	-	10,993,082
Net position	(1,977,903)	2,379,106	378,083	996,729	(954,884)	520,395	5,242	1,346,768
Accumulated gap	(1,977,903)	401,203	779,286	1,776,015	821,131	1,341,526	1,346,768	

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GAZPROMBANK GROUP
Interim Consolidated Financial Statements for the Six Months Ended 30 June 2005

31 December 2004								
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Overdue	Total
Assets								
Cash and due from CBR	1,169,929	13,102	12,100	17,616	25,145	5,166	-	1,243,058
Credit institutions, net	399,050	377,306	166,157	281,679	11,590	-	-	1,235,782
Securities at fair value through profit or loss	1,621,020	60,610	-	-	-	-	-	1,681,630
Loans to customers, net	129,948	1,058,705	887,596	1,354,580	1,219,161	388,760	5,337	5,044,087
Available for sale investments, net	-	-	-	1,016,608	-	98,830	-	1,115,438
Assets held for sale	-	-	-	80,000	-	-	-	80,000
Property, equipment and intangibles, net	-	-	-	-	45,649	22,045	-	67,694
Other assets, net	-	5,680	28,801	96,832	-	-	-	131,313
	3,319,947	1,515,403	1,094,654	2,847,315	1,301,545	514,801	5,337	10,599,002
Liabilities								
Credit institutions	31,852	217,283	199,140	731,765	7,287	133,437	-	1,320,764
Customers	3,076,287	400,432	495,988	467,967	549,999	17,520	-	5,008,193
Certificated debts	63,690	134,414	167,328	578,940	363,113	46,223	-	1,353,708
Eurobonds	-	-	-	206,827	1,056,515	-	-	1,263,342
Tax liabilities	-	-	-	140,840	-	-	-	140,840
Other liabilities	293	36,207	4,879	112,515	2,054	-	-	155,948
	3,172,122	788,336	867,335	2,238,854	1,978,968	197,180	-	9,242,795
Net position	147,825	727,067	227,319	608,461	(677,423)	317,621	5,337	1,356,207
Accumulated gap	147,825	874,892	1,102,211	1,710,672	1,033,249	1,350,870	1,356,207	

The maturities of assets and liabilities are calculated according to the principles disclosed in Note 25(c).

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GAZPROMBANK GROUP
Interim Consolidated Financial Statements for the Six Months Ended 30 June 2005

The Group's average effective interest rates for the periods ended 30 June 2005 and 31 December 2004 for monetary financial instruments follow.

	30 June 2005				31 December 2004			
	Rubles		Foreign currencies		Rubles		Foreign currencies	
	Average volume	%%	Average volume	%%	Average volume	%%	Average volume	%%
Interest earning assets								
Credit institutions								
- <i>current accounts</i>	118,732	0.2%	369,999	0.5%	54,269	0.3%	726,346	0.2%
- <i>term deposits</i>	560,468	7.8%	1,271,481	2.3%	218,212	6.5%	439,035	3.3%
Securities at fair value through profit or loss	400,813	9.2%	133,063	3.4%	436,180	8.8%	160,997	8.0%
Loans to customers								
- <i>individuals</i>	135,192	14.2%	79,183	10.3%	72,686	15.9%	52,682	10.9%
- <i>legal entities</i>	2,382,148	9.5%	3,012,200	7.8%	1,417,654	9.9%	2,487,802	7.3%
Interest bearing liabilities								
Credit institutions								
- <i>current accounts</i>	27,592	3.9%	11,591	0.9%	23,666	6.0%	19,884	1.3%
- <i>term deposits</i>	351,386	11.6%	997,003	5.0%	167,801	3.8%	684,233	4.0%
Customers								
- <i>current accounts</i>	2,295,829	0.8%	1,394,180	0.9%	1,466,826	0.3%	959,619	0.4%
- <i>term deposits</i>	1,148,693	6.8%	1,032,755	4.1%	744,620	8.2%	828,676	4.4%
Certificated debts	1,230,729	6.2%	200,845	5.0%	801,500	7.7%	135,614	3.8%
Eurobonds issued	-	-	1,262,982	6.9%	-	-	1,197,636	7.9%

The following table summarizes the Group's effective interest rates as of 30 June 2005 and 31 December 2004 for monetary financial instruments.

	30 June 2005				31 December 2004			
	Rubles	U.S. Dollars	Euro	Other	Rubles	U.S. Dollars	Euro	Other
Interest earning assets								
Credit institutions								
- <i>current accounts</i>	0.2%	2.5%	0.7%	0.0%	0.8%	1.6%	0.2%	0.1%
- <i>term deposits</i>	8.2%	3.8%	2.0%	4.8%	8.4%	4.9%	1.8%	4.7%
Securities at fair value through profit or loss								
- <i>State debt</i>	8.4%	6.0%	-	-	10.1%	3.0%	-	-
- <i>Corporate bonds</i>	10.2%	6.2%	5.6%	-	11.5%	10.5%	8.0%	-
- <i>Promissory notes</i>	6.7%	5.6%	-	-	7.5%	-	-	-
Loans to customers								
- <i>individuals</i>	15.2%	10.9%	11.3%	-	15.7%	11.1%	11.5%	-
- <i>legal entities</i>	8.7%	8.6%	9.3%	7.8%	10.0%	7.6%	9.5%	-
Interest bearing liabilities								
Credit institutions								
- <i>current accounts</i>	0.2%	0.0%	1.0%	0.0%	0.2%	0.5%	1.0%	0.0%
- <i>term deposits</i>	3.4%	4.7%	5.2%	7.8%	7.2%	3.8%	5.2%	7.8%
Customers								
- <i>current accounts</i>	0.4%	0.8%	0.2%	0.4%	0.2%	0.6%	0.5%	0.5%
- <i>term deposits</i>	5.8%	2.3%	2.3%	-	6.5%	3.6%	3.6%	4.9%
Certificated debts	6.6%	4.6%	4.8%	-	7.9%	4.5%	4.7%	-
Eurobonds issued	-	7.2%	9.8%	-	-	7.2%	9.8%	-

GAZPROMBANK GROUP***Interim Consolidated Financial Statements for the Six Months Ended 30 June 2005*****e) Foreign exchange rate risk**

The Group has assets and liabilities denominated in several foreign currencies. The Group's financial position and cash flows are exposed to the effects of fluctuations in the prevailing foreign currency exchange rates.

The Group's Asset and Liability Management Committee sets limits on the level of exposure by currency. These limits also comply with the minimum requirements of the Central Bank of the Russian Federation.

The Group's exposure to foreign currency exchange rate risk as of 30 June 2005 and 31 December 2004 follows:

30 June 2005					
	Rubles	U.S. Dollars	Euro	Other	Total
Assets					
Cash and due from CBR	388,876	46,099	18,279	672	453,926
Credit institutions, net	619,568	1,535,471	979,931	170,141	3,305,111
Securities at fair value through profit or loss	1,124,108	158,459	33,806	-	1,316,373
Loans to customers, net	2,968,764	2,458,974	285,924	57,615	5,771,277
Available for sale investments, net	1,019,349	60,414	61,285	38,979	1,180,027
Assets held for sale	-	77,424	-	-	77,424
Property, equipment and intangibles, net	67,173	-	-	-	67,173
Other assets, net	132,680	9,100	-	26,759	168,539
	6,320,518	4,345,941	1,379,225	294,166	12,339,850
Liabilities					
Credit institutions	388,755	969,868	155,040	37,411	1,551,074
Customers	3,408,712	1,816,526	1,025,812	73,483	6,324,533
Certificated debts	1,364,743	173,592	13,360	-	1,551,695
Eurobonds	-	1,055,135	193,636	-	1,248,771
Tax liabilities	41,282	-	-	-	41,282
Other liabilities	218,338	35,387	1,961	20,041	275,727
	5,421,830	4,050,508	1,389,809	130,935	10,993,082
Net balance sheet position	898,688	295,433	(10,584)	163,231	1,346,768

31 December 2004					
	Rubles	U.S. Dollars	Euro	Other	Total
Assets					
Cash and due from CBR	1,204,787	26,046	11,865	360	1,243,058
Credit institutions, net	520,484	435,495	217,544	62,259	1,235,782
Securities at fair value through profit or loss	1,583,595	96,371	1,664	-	1,681,630
Loans to customers, net	2,121,257	2,532,097	328,020	62,713	5,044,087
Available for sale investments, net	1,012,813	71,625	3,984	27,016	1,115,438
Assets held for sale	-	80,000	-	-	80,000
Property, equipment and intangibles, net	67,694	-	-	-	67,694
Other assets, net	125,759	5,033	-	521	131,313
	6,636,389	3,246,667	563,077	152,869	10,599,002
Liabilities					
Credit institutions	375,200	719,609	184,062	41,893	1,320,764
Customers	2,902,457	1,436,053	592,348	77,335	5,008,193
Certificated debts	1,167,666	176,276	9,766	-	1,353,708
Eurobonds	-	1,056,515	206,827	-	1,263,342
Tax liabilities	140,840	-	-	-	140,840
Other liabilities	147,068	6,296	2,154	430	155,948
	4,733,231	3,394,749	995,157	119,658	9,242,795
Net balance sheet position	1,903,158	(148,082)	(432,080)	33,211	1,356,207

NOTE 27 – RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 “Related party disclosures”, represent:

- (a) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under joint control with, the Group. (This includes holding companies, subsidiaries and fellow subsidiaries);
- (b) Associates – enterprises in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;
- (c) Individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group;
- (d) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the Group (also non-executive directors and close members of the families of such individuals);
- (e) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Group and enterprises that have a member of key management in common with the Group;
- (f) Parties with joint control over the Group;
- (g) Joint ventures in which the Group is a venture.

The Group distinguishes between the following categories of related parties: the parent company – OAO “Gazprom”, entities with joint control - OAO “Gazprom” subsidiary companies, subsidiaries and associates of the Group and key management personnel of the Group, including members of the Management Board and the Bank’s Council. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions outstanding with the defined categories of related parties:

	30 June 2005		31 December 2004	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Due from credit institutions, gross:				
- entities with joint control	67,947		228	
- unconsolidated subsidiaries and associates	21,953		75,637	
- state controlled companies	106,297		-	
Total due from credit institutions, gross	196,197	3,320,708	75,865	1,245,078
Allowances for losses, due from credit institutions	(6,586)	(15,597)	(228)	(9,296)
Securities at fair value through profit or loss (by issuer):				
- parent	716,950		1,132,567	
- state controlled companies	270,597		-	
Total securities at fair value through profit or loss (by issuer):	987,547	1,316,373	1,132,567	1,681,630

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GAZPROMBANK GROUP

Interim Consolidated Financial Statements for the Six Months Ended 30 June 2005

	30 June 2005		31 December 2004	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Loans to customers, gross:				
- parent	-		1,380	
- entities with joint control	1,365,030		1,327,758	
- unconsolidated subsidiaries and associates	81,030		133,129	
- state controlled companies	1,436,277		-	
- key management personnel	6,113		581	
Total loans to customers, gross	2,888,450	6,049,781	1,462,848	5,320,184
Allowances for losses, loans to customers	(99,951)	(278,504)	(78,933)	(276,097)
Available-for-sale investments, gross:				
- unconsolidated subsidiaries and associates	113,970		74,085	
Total available-for-sale investments, gross	113,970	1,202,373	74,085	1,141,727
Allowances for impairment, available-for-sale investments	(20,492)	(22,346)	(25,127)	(26,289)
Amounts owed to credit institutions:				
- entities with joint control	5,515		6	
- unconsolidated subsidiaries and associates	19,943		14,058	
- state controlled companies	62,400		-	
Total amounts owed to credit institutions	87,858	1,551,074	14,064	1,320,764
Amounts owed to customers:				
- parent	1,882,588		1,289,191	
- entities with joint control	1,683,207		1,343,312	
- unconsolidated subsidiaries and associates	25,572		2,112	
- state controlled companies	95,247		-	
- key management personnel	22,192		33,053	
Total amounts owed to customers	3,708,806	6,324,533	2,667,688	5,008,193
Undrawn loan commitments:				
- entities with joint control	150,275		178,241	
- unconsolidated subsidiaries and associates	17,892		12,979	
- state controlled companies	15,065		-	
Total undrawn loan commitments	183,232	1,134,341	191,220	969,742
Letters of credit:				
- parent	19,350		12,113	
- entities with joint control	113,086		131,007	
- unconsolidated subsidiaries and associates	1,741		2,350	
- state controlled companies	28,589		-	
Total letters of credit	162,766	268,185	145,470	266,133
Guarantees given:				
- parent	15,711		16,233	
- entities with joint control	44,604		23,556	
- unconsolidated subsidiaries and associates	11,972		2,894	
- state controlled companies	1,439		-	
- key management personnel	700		-	
Total guarantees given	74,426	210,768	42,683	123,324

GAZPROMBANK GROUP
Interim Consolidated Financial Statements for the Six Months Ended 30 June 2005

Also, as of 30 June 2005 the Group had USD 319,462 thousand (31 December 2004 - USD 401,223 thousand) of loans extended to third parties on transactions executed on behalf of related parties of the Group.

	6 months ended 30 June 2005		6 months ended 30 June 2004	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income, loans to customers:				
- parent	28		90	
- entities with joint control	43,012		42,436	
- unconsolidated subsidiaries and associates	24,691		1,900	
- state controlled companies	31,820		-	
Total interest income, loans to customers	99,551	242,262	44,426	129,389
Fees and commissions income:				
- parent	10,425		9,826	
- entities with joint control	25,235		19,183	
- unconsolidated subsidiaries and associates	516		462	
- state controlled companies	177		-	
Total fees and commissions income	36,353	61,670	29,471	47,162
Dividend income:				
- parent	16,062		-	
- unconsolidated subsidiaries and associates	6,092		1,314	
- state controlled companies	3,647		-	
Total dividend income	25,801	25,801	1,314	1,314
Interest expense, amounts owed to customers:				
- parent	14,385		11,891	
- entities with joint control	4,451		4,707	
- unconsolidated subsidiaries and associates	27		-	
- state controlled companies	3,550		-	
Total interest expense, amounts owed to customers	22,413	75,160	16,598	49,196
Remuneration of the key management personnel	40,584	132,883	8,616	69,287

For pricing considerations of related party transactions see Note 1(b).

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NOTE 28 – FINANCIAL COMMITMENTS AND CONTINGENCIES***a) Credit related financial commitments***

The credit related financial commitments as of 30 June 2005 and 31 December 2004 comprise:

	30 June 2005	31 December 2004
Undrawn loan commitments	1,134,341	969,742
Letters of credit	268,185	266,133
Guarantees given	210,768	123,324
	1,613,294	1,359,199

The Group's management evaluated the likelihood of probable losses arising from credit related commitments and concluded that a provision of USD 5,029 thousand was necessary as of 30 June 2005 (31 December 2004 – USD 5,839 thousand) (see Note 21).

As of 30 June 2005 USD 129,208 thousand (31 December 2004 – USD 130,213 thousand) of letters of credit was covered by customers' funds (see Note 19).

b) Operating lease obligations

In the normal course of business, the Group enters into operating lease agreements for office equipment and branch facilities. Future minimum payments under non-cancelable operating leases are as follows:

	30 June 2005	31 December 2004
Not later than 1 year	2,105	2,119
Later than 1 year and not later than 5 years	4,930	2,442
Later than 5 years	6,190	4,823
	13,225	9,384

c) Fiduciary activities

In the normal course of its business the Group enters into agreements with limited right on decision making with clients for their assets management in accordance with specific criteria established by clients. The Group may be liable for losses or actions aimed at appropriation of the clients' funds until such funds or securities are not returned to the client. The maximum potential financial risk of the Group at any given moment is equal to the volume of the clients' funds and securities plus/minus any unrealized income/loss on the client's position. In the judgment of management, as of 30 June 2005 and 31 December 2004 the maximum potential financial risk on funds accepted by the Group on behalf of its clients does not exceed USD 51,368 thousand and USD 1,235,792 thousand, respectively. As of the above dates the maximum potential financial risk on securities accepted by the Group on behalf of its clients does not exceed USD 1,583,492 thousand and USD 449,834 thousand, respectively. Assets accepted and liabilities incurred under the trustee and depository activities are not included in the Group's financial statements.

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The Group also provides depositary services to its customers. As of 30 June 2005 and 31 December 2004 the Group held the following amounts of clients' securities on its accounts:

	30 June 2005	31 December 2004
	Nominal value	Nominal value
Shares	2,358,316	2,406,641
Promissory notes	761,798	356,246
Mortgages	245,146	118,174
Corporate bonds	152,548	78,030
	3,517,808	2,959,091

d) Capital commitments

In the normal course of business, the Group enters into contracts for construction and repair works of the Banks' buildings, with suppliers of consulting, systems and other services. As of 30 June 2005, there were no material future contracted liabilities with respect to these contracts.

e) Legal

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

f) Insurance

The Bank has obtained an international comprehensive banking risk insurance policy ("BBB" – Bankers Blanket Bond) covering professional activities and crimes, including electronic and computer crimes. The amount of total insurance indemnity is limited to USD 5,000 thousand. However, the Group does not have full insurance coverage. There is a risk that, until it obtains adequate coverage, the loss or destruction of certain assets could have a material adverse effect on the Group's operations and its financial position.

g) Operating environment

Over recent five years economic recovery of Russian Federation is sustained by real GDP growth of around 6.9%, slowly declining inflation, budget and current account surpluses, rising foreign exchange reserves and falling external debt. The Russian government became a net external creditor by the end of 2004 when Russia's gold and foreign exchange reserves exceeded the public foreign debt. The greatly improved situation in Russia was rewarded by investment grade status assigned by international credit rating agencies.

However, operations in Russia still involve risks that are not typical for developed economies. Significant concerns remain that the government is moving too slowly in reforming the economy and legal institutions. The economy's dependence on the oil sector has been increased by the price of crude oil in recent years. Export and budget revenue, and investment spending, remain closely tied to oil prices. Given still-limited progress on structural reform, this makes Russia vulnerable to a downturn in commodity prices. Although capital flight has slowed in recent years, the deterioration in relations between the government and big business risks the reversing trend and also slowing fixed capital expenditure.

h) Taxation

The Russian Federation currently has a number of laws related to various taxes imposed by both federal and regional governmental authorities. Applicable taxes include value added tax, profit tax, and social tax. Implementing regulations are often unclear or nonexistent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and

organizations (like the Ministry of Taxes and Levies and its various inspectorates); thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (for example, customs and currency control matters) are subject to investigation by a number of authorities, which are enabled by law to impose extremely severe fines, penalties and interest charges. These facts create tax risks in the Russian Federation substantially more significant than typically found in countries with more developed tax systems. Management believes that the Group is in substantial compliance with the tax laws affecting its operations.

NOTE 29 – CAPITAL ADEQUACY

The Central Bank of the Russian Federation requires banks to maintain a statutory capital adequacy ratio of 10% of risk-weighted assets, computed based on RAL. As of 30 June 2005 and 31 December 2004 the Bank's statutory capital adequacy ratio calculated on this basis exceeded the statutory minimum and amounted to 11.1% and 11.0%, accordingly.

The Group also meets international standards with respect to capital adequacy, which recommend the minimum ratio of 8% set by the Basel Accord. The table below sets forth the Group's capital adequacy as at 30 June 2005 and 31 December 2004, calculated in accordance with Basel Guidelines.

	30 June 2005	31 December 2004
Paid up share capital	907,057	907,057
Applicable reserves	439,711	449,150
Tier I Capital	1,346,768	1,356,207
Tier II Capital	588,328	628,917
Total Capital	1,935,096	1,985,124
Adjustments	(151,544)	(90,388)
Net available capital	1,783,552	1,894,736
Risk weighted assets	9,820,857	9,073,054
Capital adequacy ratios:		
Tier I ratio	13.7%	14.9%
Total capital ratio	18.2%	20.9%

NOTE 30 – SUBSEQUENT EVENTS

1. In July 2005 the Group sold its 5.2% interest in RAO "UES" for approx. USD 797,855 thousand. The initial cost of the investment amounted to USD 699,114 thousand. Furthermore, also in July 2005 the Group disposed of its investment in SIA Investments Ltd. with proceeds amounting to approx. USD 95,165 thousand. The initial cost of the investment amounted to USD 80,500 thousand.
2. In July 2005 the Group has purchased from OAO "Gazprom" various controlling interests in a number of Russian media companies, commonly known as the Gazprom Media Group (the "GMG"), and the related debts of the GMG to OAO "Gazprom". The payment of consideration related to the transaction is to be paid within three years.
3. In September 2005 the Board of Directors of OAO "Gazprom" approved another stage of restructuring of the petrochemical business of OAO "AK Sibur" Group. Under the restructuring plan, Sibur established a new company, OAO "AKS Holding" ("AKS Holding"), to which it has contributed its holdings in all of its material production companies. In addition, all of the outstanding debts of Sibur to the Gazprom Group, including to Gazprombank, which amount in the aggregate to equivalent of U.S.\$1.4 billion, are exchanged for shares in AKS Holding. According to the decision of OAO "Gazprom"

Board of Directors, Gazprombank will act as a direct acquirer of the controlling stake of AKS Holding for its Ruble-denominated par value equivalent to approx. USD 1,053 million by the end of 2005.

4. In September 2005 the Group has successfully placed a 10-year U.S. Dollar-denominated Eurobond issue in the notional amount of USD 1,000,000 thousand at 6.5% paid semi-annually.
5. On October 4, 2005 the Group repaid its 3-year Euro Medium Term Notes issue with the face value of Euro 150,000 thousand.

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